

A USEFUL LOOK AHEAD FROM WASHINGTON

JUNE 1970

Nation's Business



ATTORNEY
GENERAL
MITCHELL:

**THE
TIDE IS
TURNING
AGAINST
CRIME**

In the beginning you'll like how much less it costs.

(In the end you'll like how much longer it lasts.)

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More pickup for less money is a Chevy habit. Which means again this year Chevy pickup prices* begin just where you'd expect—below any other popular make.



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Double-wall cabs.

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XEROX

Nation's Business

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Cover photo: Yoichi Okamoto

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- ☐ 20,001 to 50,000
- ☐ 50,001 to 75,000
- ☐ 75,001 to 100,000
- ☐ 100,001 and up

3. For transportation, I want:

- | | |
|--------------------------------------|----------------------------------|
| <input type="checkbox"/> Truck | <input type="checkbox"/> County |
| <input type="checkbox"/> Railroad | <input type="checkbox"/> U.S. |
| <input type="checkbox"/> Air | <input type="checkbox"/> 2 U.S. |
| <input type="checkbox"/> River Barge | <input type="checkbox"/> Freeway |
| <input type="checkbox"/> Seaway | <input type="checkbox"/> State |

Highways:

4. Site:

- Minimum () acres
- ☐ in an industrial park
 - ☐ industrial zoned site
 - ☐ with sewer and water.
 - ☐ natural gas

5. Building seeking:

- Minimum () square feet
- ☐ lease
 - ☐ built to our specifications
 - ☐ new, existing

6. Labor needs: How many?

- ☐ Men ()
- ☐ Women ()

7. Financing available:

- ☐ Local industrial development corporation to raise funds for building and site
- ☐ Seek equity money for my company
- ☐ Please outline possible sources for \$_____

Name _____

Title _____

Firm Name _____

Kind of Business _____

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MEMO FROM THE EDITOR

Nation's Business
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Judging from our mail, crime is one of the topics which interest you most.

Businessmen's meetings dealing with this subject are among the best attended, and you've ordered some 40,000 copies of the "Deskbook on Organized Crime," published by the Chamber of Commerce of the United States.

This booklet tells you and your supervisory people what to look for to prevent the Mafia from creeping into your business. Incidentally, copies are still available at \$2 each.

To get a current reading on the crime situation and what's being done about it, *Nation's Business* went to Attorney General Mitchell, who has some hopeful words and some words of caution in the interview that begins on page 32.

I think you'll be interested in the "strike forces" which combat organized crime and Mr. Mitchell's assessment of the possible attacks business may face from militants in the future.

While Mr. Mitchell himself has sometimes come under attack, one of the largest ovations at the National Chamber's annual dinner was for Attorney General and Mrs. Mitchell.

Speaking of ladies, Mrs. Olive Ann Beech (see photos) is particularly worthy of note. She's the first woman member of the National Chamber's Board of Directors. Mrs. Beech is chairman of the board of Beech Aircraft Corp., Wichita, Kans.

The other new members of the National Chamber's Board for the 70-71 year are:

Paul M. Augenstein, executive vice president, American Standard, Inc., New York; H. Robert Diercks, executive vice president, Cargill, Inc., Minneapolis; William K. Eastham, executive vice president, S. C. Johnson & Son, Inc., Racine, Wisc.; George S. Harris, president, Chicago Metropolitan Mutual Assurance Co., Chicago; Earl D. Hilburn, executive vice president, Western Union Telegraph Co., New York; Wilbert F. Newton, marketing vice president, PPG Industries, Inc., Pittsburgh; Henry J. Schmitt, editor and publisher, *Aberdeen (S. Dak.) American News*; and Walker Winter, partner, Ross, Hardies, O'Keefe, Babcock, McDugald & Parsons, Chicago, who has been a Chamber vice president.

Jack Woodridge

NEW CHAMBER DIRECTORS



Mr. Augenstein



Mrs. Beech



Mr. Diercks



Mr. Eastham



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LETTERS

CENSUS CHIEF SUMS UP SOME ARGUMENTS

• Re the survey of support among your readers for a five-year census ["Sound Off Response," April], the issue is, as you pointed out, that trade-off between the value of the information and the cost of getting it, including both the cost on the part of the respondent and the cost of processing and reporting the information.

Part of the difference between the readers favoring the census versus those who were against it deals with the ability to derive interim figures by sophisticated statistical methods. National totals can be obtained without a census, but local area data are hard to come by except with a census.

I suspect the marketing executives who need data on a city-by-city basis would be more interested than top executives who deal primarily in national aggregates and long-term trends.

In any event, we appreciate your having put the question to your readers and reporting the findings in sufficient detail to give us an insight into this important matter.

GEORGE H. BROWN

Director
Bureau of the Census
Washington, D. C.

Too many phones

• Re: "Executive Trends" [April].

Hello, operator?

Sorry, wrong number! Your "109.3 million (phones) or 54 per capita" could mean our population has decreased—or did the computer goof?

I believe AT&T would report approximately one phone for every two persons in the U. S.

FRANK L. SNAVELY
Consumers Inc. Co.
Lancaster, Pa.

[EDITOR'S NOTE: *Point well taken. A decimal point, that is.*]

Overexposure?

• Congratulations on your colorful and informative article, "John Volpe's Drive to Keep America Moving" [April].

We are proud of the contributions Mr. Volpe and other Baystaters are making in Washington.

I would like to point out, however, that a cover story complete with a full color photograph and 13 black and white pictures of the Transportation Secretary has got to be too much! Overexposure and hyperbole turn me off.

Our transportation problems are enormous and must be solved. Let's approach the problem intelligently

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For information in confidence, contact Virgil Fox, Executive Director, Committee of 100, Jacksonville Area Chamber of Commerce, P.O. Box 329-N, Jacksonville, Florida, 32201. Phone: (904) 353-6161.

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WILLIAM T. MURRAY
Executive Vice President
Greater Pittsburg Chamber of Commerce
Pittsburg, Mass.

Hurt by own taxes

• I am running into tough competition in my business from high schools that are supported by federal and state funds. The very same tax money that I have to pay to our local, state, and federal governments is used to force me out of my business that I have been in for over 21 years.

What has become of my constitutional rights? Isn't it unconstitutional to use these same taxes that I have to pay against me?

EMANUEL N. HREHA
Owner
Pennsylvania Driving School
Erie, Pa.

New miracle fabric

• I read with interest your article, "The Tame Blue Yonder" [March]. I assume your mention of a Du Pont product is in reference to our "Nomex" high temperature resistant nylon.

For your information, and possibly that of your readers, a price of about \$15 per yard is somewhat more accurate than the figure printed in your magazine.

Seat upholstery made of "Nomex" fiber is aboard Pan Am's 747 aircraft and it is anticipated that "Nomex" will be used in the new air buses being built.

JOHN T. HOLTON
Public Relations Department
E. I. du Pont de Nemours & Co.
Wilmington, Del.

Coaxing vs. clubbing

• As a student at Northwood College who is majoring in management, with a minor in psychology, I find "How to Make Executives Behave" [April] very informative.

We have a class where we talk over certain managerial problems, and it so happens that your article led to two solid days of discussion. The entire class agrees on the points discussed, with one exception:

Can the steps to be taken by management remain the same when you have a situation of Theory X workers and Theory Y managers? With the Theory Y manager being a believer in coaxing instead of clubbing, and the Theory X employees being believers in not working until they are clubbed, do you not feel

that a problem can only be fully solved when a manager can fully understand when to apply what theory?

I think a big difficulty is that in order for a manager to fire somebody in the organization (the hardest task there is), he must not become emotionally involved.

THOMAS W. BURKER
Northwood Business College
Midland, Mich.

Cancerous tax growth

• Take-home pay, in terms of dollars, directly reflects both saturation employment and inflated levels of compensation; therefore income taxes, at existing levels, are yielding revenue at a totally unprecedented rate.

Every million additional motor vehicles placed in service yield \$200 million in first-year purchase cost sales and excise taxes, and additional millions per year in taxes imposed on operating supplies.

Real property is being improved at a pace totally unprecedented in the economic history of the nation, and real estate values have just about tripled during the years of inflation, so it seems a safe guess that values for assessment purposes, including both expansion and inflation, have increased no less than five-fold. The tax take can be assumed to have increased a like amount.

How come, with this huge increase in revenue, we hear constant caterwauling about the necessity for increased rates of taxation in these areas?

Growth in the human individual that does not result in increased strength and productivity, that does in fact diminish and result in the weakening of the host, is generally diagnosed by physicians as cancerous. The prognosis is for surgical or other form of removal, or for the case being terminal.

I can easily be guilty of oversimplification. However, the end product of my thinking on the subject is invariably the same: Growth that constantly increases the burden on the host nation IS cancerous and must be removed or arrested. Otherwise the prognosis can be no other than that it's a terminal case.

EDWARD B. SEEGER
President
Southeastern Sales & Supply Corp.
Oroville, Fla.

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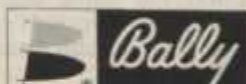


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This plant is costing \$2.5 million. The manufacturer will get a tax credit of \$25,000. This could exceed the estimated total tax for the year. If so, it can be carried forward into the second year or longer, if necessary.

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N.Y. State Dept. of Commerce, Room 360
112 State Street, Albany, N.Y. 12207

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EXECUTIVE TRENDS

BY JOHN COSTELLO
Associate Editor

Survival hints for harried executives

LAYOFFS HIT XYZ CORP.
MEGAPOLIS, INC., CUTS PAYROLL

Headlines like these make grim reading for managers.

"Fringe jobs are taking a real beating now," says Lon D. Barton, president, Cadillac Associates, Inc., Chicago executive recruiters.

"If you're an assistant to a president, a market analyst, a new products researcher or a consultant, walk carefully."

"When business is booming, the company looks on these jobs as indispensable. But when business hits the brakes, the top brass sees them differently. Then they're part of the fat that's trimmed. Whole departments get the gate."

"It may be short-sighted, but that's the recession psychology."

Here are some tips Mr. Barton offers on how to ride out the storm:

1. At the risk of sounding simplistic, do a better job. Work harder than ever before. If you simply hunt for a bomb shelter, you may not be around a year from now.

2. Keep your ears to the ground. Try to find out where cuts may be made next, so you can be ready to jump before you're pushed.

3. Hope that the sun will shine—but sock away some dough for a rainy day. Even good men sometimes get pink slips—on as little as two hours' notice.

4. Don't panic, be patient. After all, a 10 per cent cut means nine out of 10 survive.

5. Don't be complacent—compete. This is a great time to ring up a good track record. You'll have less competition—because fewer bright young

- Those expendable jobs
- Higher-priced education
- Fringes at the top
- Warring on hoarders

men are being grabbed off the campus.

"But," Mr. Barton adds, "don't assume you can't be fired—no matter how big a job you hold."

College costs still climb

Your youngsters' tuition, room and board will probably cost you more next year.

Four out of five schools will raise their charges this fall. The increases will average about 8 per cent.

For public colleges, the median expense will be about \$1,200; for private colleges, \$2,500.

That's the picture suggested by preliminary figures from the Life Insurance Agency Management Association's annual survey of college charges. Their own rising costs dictate the increases, schools say.

Below are sample figures for a dozen colleges and universities which a LIAMA spokesman calls "prestige schools from a cross section of the country."

They range in size from Reed College, with 1,200 students, to the University of Michigan, with 22,500.

	1969-1970		1970-71	
	Tuition	Room and board	Tuition	Room and board
Yale	\$2,350	\$1,250	\$2,550	\$1,350
Harvard	2,400	1,240	2,600	1,300
Princeton	2,350	1,160	2,500	1,350
U. of Mich.	480	1,035	480	1,135
U. of Va.	330	1,100	330	1,100
Smith College	2,150	1,275	2,330	1,300
Antioch	2,500	678	2,700	728
N'western U.	2,130	1,100	2,400	1,200
U. of Okla.	360	650	360	650
Reed College	2,400	935	2,500	1,000
Knox College	2,376	1,107	2,505	1,265
U. of S. Calif.	1,800	1,150	1,950	1,150

Public institutions' extra charges for out-of-state students vary. The University of Michigan will charge

\$1,060 next year, the University of Virginia, \$585, and the University of Oklahoma, \$540—all unchanged from this year.

Additional fees run from \$10 at the University of Oklahoma to \$202 at Antioch. Yale, Harvard, Princeton, Michigan, Knox and Northwestern charge no fees.

A non-best seller from Boston

Want to know what it will cost to borrow \$1 million?

The First National Bank of Boston and Old Colony Trust Co. has a book that will give you a quick answer.

It's especially helpful if you're a town treasurer, for example, and want to know what that 20-year, \$10 million school bond issue will really cost you.

Quite a bit, of course.

At 6 per cent, total interest will come to \$6.3 million, assuming that you pay off the principal in \$500,000 annual payments.

At 4.5 per cent, interest costs will total \$4.7 million. The book, "Debt Service Schedules," gives annual interest and principal payments on \$1 million for five, 10, 15 and 20 years, computed at interest rates of from 1 to 12 per cent, broken down into changes of $\frac{1}{2}$ and $\frac{1}{20}$ per cent.

"It may not be a best seller," a bank spokesman says. "But it comes in awfully handy for town and city officials."

"It gives them a quick ball park figure on what their bond issues—and the public improvements they pay for—will really cost."

Big market for bourbon barrels

Uncle Sam requires bourbon distillers to age their whiskey in new charred white oak barrels.

They come high—about \$28 each. But foreign producers are under no such restriction.

They're now buying nearly 850,000 used bourbon barrels a year to age their own firewater. Plus another 480,000 knocked-down barrels to be shipped as staves.

At an average of \$5.25 each, they add nearly \$7 million to our annual exports.

New rules permit U. S. "light whiskey" producers to age spirits in used barrels. But the first batch won't be on the market until 1972.

Meet Harry the Hoarder

His desk drawer is jammed with extra pencils, three unused sketch pads, a couple of cans of "fixit" spray and other office supplies.

Don't laugh him off as a harmless collector.

He's expensive.

An average Harry the Hoarder will squirrel away about \$50 in supplies he doesn't need.

A thousand Harry's will tie up \$50,000 worth of capital, Enterprise Publications points out.

Put Harry in the shop and he costs far more.

Stockpiling tools or machine shop supplies is far more expensive than stashing away paper clips.

But even they add up. One major oil company estimates that improper use of office supplies costs it \$100,000 to \$200,000 a year. That wipes out the profit from \$1 million to \$2 million worth of sales.

How can you plug the profit drain?

By educating employees that waste and hoarding cost money.

One large East Coast firm had a cameraman film everything he saw that was wasteful. The result was almost as long as "Gone With the Wind."

After editing, it was shown to all employees.

"Most employees want to see their organization grow and prosper," Enterprise says. "Convince them that waste jeopardizes the company's future, and they'll cooperate."

Going to Expo 70?

Japan Air Lines has some helpful hints for you, if you are planning a trip to Nippon.

Its "International Businessman's After Hours Guide to Japan" lists the leading hotels in major cities, for example.

Also good Japanese *ryokan* or inns—if you want to try the more relaxed native style hostels.

Not to mention some of the better

restaurants—it gives a Cook's tour of a typical Japanese menu—plus names and addresses of clubs, cabarets, bars and beer gardens.

If you take the wife along, you may want a companion booklet, "The Woman's Guide to the Orient." It has tips on etiquette, how to pack and places to see.

It's weighted more heavily toward museums and shops than is the businessman's guide.

But it's useful for males, too. For example, in perusing the "Woman's Guide," you learn not to offend a Thai by sitting cross-legged with toes pointed toward him. The guide warns you it's the worst possible manners.

Same for shaking hands with your Siamese host.

The Thai, it notes, does not like to be touched.

You can shake hands in Japan, of course. It's a Western custom that took root there.

However, a deep bow and a respectful hias won't hurt.

Those executive fringe benefits

"Don't worry about the move, Joe. We'll pay your expenses."

That kind of news softens the blow to an executive who has to pull up stakes. And he's apt to hear it.

Ninety-five out of 100 firms surveyed recently by the Bureau of National Affairs, Inc., say they foot the bill for moving expenses, when an executive is transferred.

"Ninety-three per cent," BNA adds, "pay all moving expenses."

The poll asked 100 personnel executives what kinds of executive fringe benefits their companies provide. Here are some others they reported:

Per Cent

Pay for professional association memberships	90
Provide company cars	65
Extend salary continuation plans in case of illness	65
Pay social club dues	47
Give cost of living adjustments for high-cost areas	14

Many of the larger firms, 27 per cent, also guarantee the sale of the transferred executive's house. Thirteen per cent of the firms with fewer than 1,000 employees do the same.

How can the particle people save you \$500 on xerographic toner?



The particle people at Nashua are experts at producing toner, the powdered ink used in xerographic office copiers. That's because they know more than anyone else about discrete particle technology — the science of putting the right particles on the right materials in the right way.

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NASHUA

PANORAMA

of the nation's business

BY VERNON LOUVIERE
Associate Editor

Broad View Accompanies an Annual Report

The Girard Co., a Philadelphia bank, has shown one valuable way that a firm can do more than simply sum up finances when it makes its annual report to stockholders.

Girard commissioned the distinguished American author James A. Michener and the gifted young Pennsylvania artist James B. Wyeth to prepare a companion piece for the bank's 1969 report. They were given complete freedom to express their views in literary and art form.

From their combined talents emerged an attractive, stirring one-volume work entitled "The Quality of Life," with text by the author of "Tales of the South Pacific" and nine color reproductions of paintings by Mr. Wyeth, who at 22 became the youngest member of the National Academy of Arts and Letters in its history. In presenting their work, Girard President Stephen S. Gardner told shareholders:

"Good corporate citizenship takes



Artist Wyeth (left) and author Michener produced a unique supplement to the Girard Co.'s annual report to stockholders.

various forms. We believe that among other things it entails the stimulation of public interest and concern for the major issues and problems of our day.

"The publication of a company's annual report—the yearly review of its performance and goals—is an especially good time to seek widespread involvement in the changing world about us."

Mr. Michener wrote "The Quality of Life" from the standpoint of one who has viewed his country from abroad for many years and who has heard it criticized in many lands.

Despite these critics, Mr. Michener says, he is convinced that if the United States dropped its immigration barriers there would be an exodus of people hungry for a new life in America. He relates some of the reasons given him:

"In your country a man has a chance to get ahead. Children get a free education. With the same amount of work you live better." Or, "In America I could be free."

And, "In America you're trying to do new things. A man with ideas has laboratories to work in and superiors who will listen."

B. F. Goodrich Co.'s Century-Old Standards

"Let's make goods destined for service."

With these words a young surgeon, Dr. Benjamin Franklin Goodrich, set a standard for products in his new rubber factory that was to make his name respected throughout the world.

This year the B. F. Goodrich Co. is celebrating its one hundredth anniversary. Much of its success over the century is attributed to the emphasis on quality that Dr. Goodrich insisted be considered in every product it turned out.

Shortly before his death at age 46 in 1888 he wrote a memorandum to his associates at BFG which said:

"The only anxiety that I have—

the things that I can see that might break up this concern—are . . . whether the discipline of the concern is kept up, whether the repairs are kept to the mark, and whether the standard of quality is kept to mark. . . . If it fails in . . . these particulars, it will go to the devil in one fourth the time it has taken to build it up."

B. F. Goodrich was only 29 when he decided to give up surgery and establish his rubber company. He did so, in Akron in 1870, with the help of a \$13,500 loan from local citizens. From first year sales of \$49,000 the company has mushroomed into annual sales of more than a billion dollars.

The Akron plant's first product was a cotton-covered rubber fire hose developed at Dr. Goodrich's insistence after he had watched a

friend's home burn to the ground because a leather fire hose—the type commonly used in those days—had frozen and burst. In ensuing years the product range has expanded to 30,000 different items, being produced by more than 40 plants in the United States, Canada and Puerto Rico. B. F. Goodrich also has interests in more than 40 foreign subsidiary and associate companies and manufactures or sells its products in more than 100 countries.

Dr. Goodrich ran his company on a close, personal basis. People intimately associated with him regarded him as a man of great foresight and strength of character. He was a persistent fighter for honest dealing and justice, essential principles of business he believed were vital to the success of any enterprise.

continued on next page

Solving Mysteries for Female Motorists

Except in rare instances women drivers regard the automobile as a mysterious piece of machinery and they are not eager to fathom the Rube Goldberg gadgetry concealed under the hood. Yet, in most families, it's the ladies who take the car in for servicing.

So Cities Service Oil Co. has launched programs called SHOW 'N TELL to help women drivers and automobiles become better acquainted. Mrs. Charlotte Montgomery, an authority on consumer affairs who helped develop the new CITGO Car Care and Safety Programs for Women, says:

"Women love their cars and the freedom cars bring. But at times they feel uneasy behind the wheel. Some women regard the car itself as a mystery. Others worry about the hazards of high speed driving and traffic.



Mrs. Montgomery helps women get acquainted with the family car.

We hope to take the fear out . . . through the SHOW 'N TELL programs."

The programs emphasize fundamentals of auto maintenance and safe operation, both vitally important to women driving on today's busy streets and highways. The National Safety Council is working closely with CITGO to help make the project succeed.

Mrs. Montgomery thinks SHOW 'N

TELL will help women become more knowledgeable consumers of everything to do with automobiles. As she points out:

"Since women now constitute virtually half of all licensed drivers in the country, and many of them have a car for their own use, it is essential that they know how to keep the car in tip-top shape so it will be safer, run better and last longer."

Robert G. Reed III, Cities Service marketing vice president, says the new program was inspired by informal car care courses offered at many CITGO service stations.

"Their popularity convinced us that the women of America are vitally interested in learning more about their cars," he says. "While CITGO does not propose to instruct women in the detailed and technical workings of the car, it does feel women will gain confidence if they have a general understanding of the modern automobile and its major components and accessories."

Union Carbide's "Marshall Plan"

In a small way Dr. E. R. Marshall has found a means to help improve the social, political and economic climate in this complex world of ours.

Dr. Marshall, manager of agricultural products and services for the Union Carbide Corp., and therefore a man who is constantly on the go around the world, is doing this with a highly personal student exchange program—using his own children.

He came up with the idea a few years ago. So far, three of the six Marshall children have lived for a year overseas with non-English-speaking families. Five foreign students have joined the Marshall family in Darien, Conn., for similar periods.

The idea was quickly dubbed the "Union Carbide Marshall Plan" and the name stuck. The three younger Marshall children insure that the program will continue for some time.

Dr. Marshall, who has traveled to more than 70 nations in the past decade, says:



The Marshalls welcome a German girl (third from left) on arrival.

"If you do business with people of other countries, you find many opportunities to build human trust and understanding so vital to future generations."

One Marshall child has lived in Argentina, another in France, and the

third in Japan. The Marshalls' young foreign visitors have come from these countries, and from Germany.

Before launching the exchange program Dr. Marshall cleared it with his company. He recalls:

"After all, exchanges were possible because of my Union Carbide business connections, and I felt there was a possibility that management might not approve. If something went wrong, there could be unfavorable business repercussions. However, Union Carbide gave me full approval to go ahead and use my own judgment."

The children are required to live by the rules of the household where they are guests.

In France, for example, a youngster had to be abed by 9 p.m. In Argentina, Pamela Marshall abided by the rule that a girl never leaves the house without an escort. The Marshalls insist that their own children earn their spending money; so when Hiroshi Nagase arrived in Darien he took over Ernie Marshall's paper route, though he could barely speak English.

One half of the mail is faster than the other half. Which half is your mail in?



If you could postmark, date and cancel your own mail before you send it out, you would save the Post Office the work of having to do it. And save your mail the time it would otherwise take to get cancelled.

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When you run your letter through a Pitney-Bowes Postage Meter, you not only print your own stamp, but you postmark, date and cancel your letter at the same time. When your letter reaches the Post Office, instead of waiting in line to be cancelled, it usually gets selected out and sent on its way. Which means that it gets where it's going a little faster.

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ming aid to help tailor the system to your business simply and efficiently.

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System/3. The small business computer.



IBM.

SOUND OFF TO THE EDITOR

YEAR-ROUND DAYLIGHT SAVING TIME?

Daylight saving time—which was adopted for the United States in 1918, reduced in 1919 to local option status, revived on a national basis in World War II, and then returned to its between-the-wars footing—has been the law of most of the land since 1967.

U.S. clocks move an hour ahead on the last Sunday in April, and an hour back on the last Sunday in October, except in Hawaii, Arizona and Michigan, whose legislatures claimed exemption under the Uniform Time Act. Arizona and Michigan are on the western edges of time zones, and therefore automatically ahead of neighbors further west. Hawaii, off by itself, has little seasonal change.

Now, proposals are being heard for year-round daylight saving.

Proponents say city street crimes would be fewer if people could leave work in daylight during winter. They

also look for less traffic trouble if evening rush hours were before dark. They point to an end to the confusion and expense of twice-yearly readjustments of schedules.

And, they say, there would be more opportunity for daylight leisure activity—historically a major driving force behind peacetime pushes for “fast time.”

Britain is giving 12-month daylight saving time a tryout, and a House bill asks that we consider a tryout, too. (It wouldn't be our first such experience; daylight saving was year-round in World War II, though not in World War I.)

Many people, however, are satisfied with the status quo, want daylight time curtailed rather than expanded, or want it abolished.

They argue that changing the clock doesn't change the amount of darkness, and that criminals will manage

to operate under its cover anyway. They say murky morning rush hours will offset daylight evening rush hours, and they see added worries as children go to school in the gloom.

They also bring up the farmer's complaint that with “fast time” he's in the fields until it's too late to visit the store or bank. They cite problems for businesses such as outdoor theaters or radio stations restricted to daylight hours. They note that parents find it tougher than ever to get the kids to bed when it's light outside later.

Why, they ask, can't people try to adjust their own working hours if they insist on more daylight?

There are House bills to cut back daylight time to the period between the first Sunday following May 30 and the Sunday after Labor Day.

Where do you stand? Should we have year-round daylight saving time?

Jack Wooldridge, Editor
Nation's Business
1615 H Street N.W.
Washington, D.C. 20006

Should we have year-round daylight saving time?

☐ Yes ☐ No

Comments:.....

.....

.....

.....

.....

.....

Name and title.....

Company.....

SOUND OFF TAKE ME TO YOUR LITER RESPONSE

NATION'S BUSINESS readers, judging by responses to last month's invitation to "Sound Off to the Editor," overwhelmingly favor converting the U. S. system of weights and measures to the metric system in use in most other countries.

"The sooner the better," was the way many readers put it.

A popular theme, too, was that conversion is inevitable and that there is no sense in delay.

In posing the question "Should we switch to meters and kilograms?" readers were reminded proponents of a switch argue that the United States is running the risk of being the only industrial nation not on the metric system, and that the system is far easier to work with, once learned, than are the present standards.

Also cited were opposing arguments that conversion would be enormously costly to business, and that commercial activities could be hampered as Americans taught from childhood to think in terms of feet, quarts and pounds had to deal in meters, liters and kilograms.

But the problems didn't seem to faze the sizable majority voting for change.

Jerry Subar, vice president of Model Coverall Service, Grand Rapids, Mich., wrote:

"Like anything else that must some day be done, the sooner begun the better and the cheaper its accomplishment."

B. R. Garver, vice president for engineering, Federal Steel & Supply Co., East Alton, Ill., said conversion would not only bring international trade benefits but "save untold dollars in errors and computations under the present English system."

Florian M. Cerny, owner of a Des Plaines, Ill., construction company bearing his name, was among those opposing change. He said he "could not see where an improvement would be had except in a minor, self-

ish respect," and added: "I believe our use of the present system gives variety to what could be a rather boring activity."

These were among other comments: Henry Landa, of the Kenosha, Wisc., Technical Institute, said "the savings in calculations alone will pay off the conversion in a few years."

Gordon Sikkenga of Rothbury Hardware, Rothbury, Mich., conceded the conversion "would cause confusion for a while," but said that the metric system "is a much more logical and easier system to use."

R. W. Rivers, manufacturing service manager for the Post Division, General Foods Corp., Battle Creek, Mich., was clear-cut in his view: "No question about it, sooner or later the U. S. will have to adopt the metric system as the world becomes smaller and interchange between countries becomes more pronounced."

Thomas L. Yates, assistant to the president of North American Van Lines, Inc., Ft. Wayne, Ind., wrote:

"If we do not change to the metric system, our export markets will erode—and the North American continent will be a 'nonstandard' island—isolated in a metric world."

"Let's get on with the times," said R. A. Morris of Morris Volkswagen, Logan, Utah.

C. E. Skinner, an economist for Gulf Oil Corp., Pittsburgh, Pa., said: "We are going to have to do it eventually. The conversion will not get any less expensive."

In opposing change, R. O. Whitaker of the Rowco Engineering Co., Indianapolis, Ind., said the day of the metric system had already passed. He urged changeover to the "hexadecimal numbering system" and said it would "facilitate communication with computers."

Dean W. Manley, chief engineer of WDBC Radio, Escanaba, Mich., suggested a period of two to five years in which both systems would be used

—a procedure used in Great Britain for the changeover there.

John V. Ebbert, president of the W. W. Wilcox Mfg. Co. of Chicago, said it would take as long as a generation to get used to the metric system "but it will be well worth the price. Our children will have an easier time in learning and understanding it compared to the present system."

J. R. Hood, vice president for administrative services, Farm Bureau Insurance, Indianapolis, Ind., wrote that a changeover "is inevitable. The longer we wait, the more difficult it will be."

Nick Tataryn, controller of Aggregate Surfaces, Inc., Dearborn, Mich., wrote that "it is easier to work with the metric system."

A. L. Johnson, vice president of MSP, Inc., Marion, Ind., commented: "The metric system is much simpler to use. . . . It is not hard to adapt to, due to our familiarity with the decimal system used for our money."

In an unqualified response to the question of whether to convert, J. W. Hosbein, secretary of the M. H. Detrick Co., Chicago, wrote: "Absolutely and the sooner the better. It would put our populace in closer touch with science as well as with other nations."

Bob Stevens of Montana Travel, Inc., Bozeman, Mont., was undaunted by potential problems of conversion, noting that "the people of Sweden learned to drive on the right side of the road after using the left side from the beginning."

Heartfelt opposition came from a member of the younger generation. Teresa Steppe of First Lutheran School, Long Beach, Calif., wrote:

"I'm not an adult. I'm only a junior high student but I speak for all of us kids. We have a hard enough time as it is, especially us older ones who have already learned our measurements. To change the system would not only upset adults but kids, too!"

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Western Union International Inc.

Warning: "Safety" Hazard

U. S. business, despite its top-notch performance in protecting employees from injury or ailment, faces a renewed threat of dictatorial regulation

How important is so-called safety and health legislation to you as a businessman?

Unless great care is taken in drafting such legislation, the results for your business could be disastrous.

Labor unions are pushing Congress with all their muscle for a bill sponsored by Rep. Dominick V. Daniels (D-N. J.). The proposal, or a version of it, is expected to be one of the few major labor bills reaching either floor of Congress this year.

Under the bill:

- Standards could be adopted without consideration being given to the economic and technical feasibility of the standard.
- The Secretary of Labor would act as legislator, policeman, judge and jury regarding safety and health in working places.
- Employers already covered by some federal safety regulations would also be covered by the new legislation, opening possibilities of conflicting rules.
- Inspectors could close plants on the

spot for up to five days for what they feel is "imminent danger." No court action is required.

- Employers who comply with every rule issued by the Secretary could still be cited for violating the law if the Secretary finds a condition exists which he thinks is unsafe. In other words, employers don't have to be told what specific conduct is expected of them beyond the vague duty to keep a safe shop.

- Employee representatives would be allowed to accompany the inspectors.

- States would lose their authority in the employment safety and health area unless they imposed regulations on businesses tougher than the federal government's.

- Employers would be forced to post on their premises citations charging them with violations—before any hearing is held to determine actual guilt. Once a citation is posted, employees could walk off their jobs with impunity, even if no-strike clauses were in their contracts.

Getting the bill passed is "a very



major issue" with the AFL-CIO, says Andrew Biemiller, the union federation's chief legislative representative.

Occupational safety bills affecting various industries have been in Congressional committees for several years now. In the last session of Congress unions and the Johnson Administration unsuccessfully pushed a bill similar to the Daniels proposal.

Last August, for the first time, a safety and health law was enacted controlling the construction industry. Last January the President signed a more stringent safety law for the coal mining industry.

Transportation and longshore operations have been under federal safety regulation for years.

The currently proposed Occupational Safety and Health bill would embrace nearly every other place of private business in the land, from giant farms to corner groceries, from auto factories to back-alley garages. It would control not only industries engaged in interstate commerce, but also all businesses "affecting" interstate commerce.

Present federal safety laws deal mostly with such matters as the amount of dust in the air, noise levels and other general physical work conditions. Business groups fear the union-backed bill will plunge the federal government deeper into other matters such as the number of working hours, qualifications of employees performing various tasks and the size of work crews.

Sen. Harrison A. Williams Jr. (D.-N. J.) says any general health and safety law should be tougher than the coal mine safety law, the first stage of which went into effect March 30. By mid-April, 272 mines had closed in fear of the law's rigid penalties. Nearly all the mines were in the Appalachian area.

The second, and still tougher, stage of the coal mine safety law goes into effect this month.

Apparently the mine closings have not dampened the enthusiasm of Congressmen backing the Daniels version of an Occupational Health and Safety law.

"We will no doubt hear from oppo-

nents of the bill as we heard last year, that it will 'drive small business to the wall,' that it involves 'dictatorial federal regulation,' that it is all part of a plot to give the Secretary of Labor 'unprecedented powers to interfere with business,' and the like," predicted Rep. James G. O'Hara (D.-Mich.).

He says opponents are wrong.

Secretary takes dim view

Labor Secretary George P. Shultz himself has testified, however, that he does not think his office should be given all the power that the unions and their Congressional sympathizers want it to have.

Some businessmen fear that if the bill is passed, the unions will try to influence the Labor Department to harass firms that unions are having trouble organizing or bargaining with. They also claim that featherbedding unions could use the Labor Department to declare that larger work crews are needed for safety or that new efficiency-producing automated devices and labor-saving materials

Companies fight accidents in many ways. Among them is the posting of warnings such as these from the National Safety Council.



Warning: "Safety" Hazard *continued*

are unsafe or unhealthful. They further contend there is danger a safety czar might even help strikers by ruling it "unsafe" during a strike for supervisors and others to try to carry on production as a skeleton crew.

In urging that the Labor Secretary be given the broad safety powers, the AFL-CIO's Biemiller testified before a House subcommittee: "As far as organized labor is concerned, we still cling to the belief that the Department of Labor was created for the purpose of protecting the legitimate interests of workers . . . just as the Department of Commerce is there to assist the legitimate interests of the business community."

Major unions are well represented in the American National Standards Institute, a private organization that develops consensus codes which businessmen voluntarily use as guides to safe construction and operation of their plants.

Meany wants more

But in testifying before a House subcommittee, AFL-CIO President George Meany indicated that labor unions are looking for even tighter regulation.

"I do not want the record to show that, because the AFL-CIO endorses the Occupational Safety and Health Act, we consider it a perfect legislative document not susceptible to constructive amendments," Mr. Meany said.

"There is a long, hard pull ahead to mobilize the full resources of the federal government, the states, industry, labor, the medical profession, the colleges and universities and the professional societies to secure safety and health on the job for America's working men and women. This legislation is the first decisive step to secure the broadest possible effort."

It seems ironic to many businessmen that Congress should be considering broad extensions of federal powers in an area where voluntary efforts have compiled an enviable record.

Countless safety experts have pointed out that private enterprise in the United States has achieved much safer workplaces than have European industries which are government-

owned or under tighter government reins.

For generations most European industries have had "safety" systems similar to those now proposed. A recent study, for example, compared the safety records of 17 major industries in England with the same industries in the United States. In every category American businesses had far better records.

Leo Teplow, vice president of the American Iron and Steel Institute, declares that in his industry, the American record is 10 times better than that of English firms.

"The fact is that the average American is safer at a workplace than he is at home, on the highway or at play," says J. Sharp Queener, Du Pont safety expert and a U. S. representative at International Labor Organization safety sessions. "It is remarkable that in the greatest industrial nation in the world, less than 10 per cent of all accidental deaths occur on the job."

But Rep. Daniels insists that "the federal government ought to take the lead in cutting down the appalling rate of fatalities and accidents which occur in industry, resulting in devastating effect upon our economy."

George H. R. Taylor, executive secretary of the AFL-CIO Standing Committee on Safety and Occupational Health, adds that voluntarism has its limits and that federal standards must be imposed.

Robert D. Gidel, assistant director of the U. S. Labor Department's Bureau of Labor Standards, argues against junking the voluntary standards system. "Although the Department has found the voluntary standards system with faults," he says, "it does not believe in shooting the animal because it has a broken leg."

However, Sen. Ralph Yarborough (D.-Tex.), chairman of the Senate Labor and Public Welfare Committee this session, has characterized industry efforts to promote safety as "like a sneeze in a hurricane."

In addition to their sense of duty toward their employees' welfare, American businessmen point out, they have strong money reasons for promoting safety—without government prodding. Accidents erode employee

morale, lower production and raise insurance rates. This is reflected in the fact that individual American employers have reported millions of dollars in insurance rebates because of their excellent safety performances.

The Occupational Safety and Health bill also has its inflationary dangers, businessmen warn. The expense of policing such an act would be high. Some proponents have suggested hiring 6,000 new federal inspectors as a start.

Union representatives have contended passage of the proposed safety bill is a "consumer-type" issue that appeals to many people. But union officials privately confess it has not sparked much grass roots interest.

Some businessmen, meanwhile, have charged that unions are using the bill to divert Congressional attention from unions' abuses of their considerable government-given privileges and immunities.

Change inevitable?

With political pressures strong, many predict that some type of broader federal occupational health and safety law is inevitable this year.

Most business groups back an Administration version, H.R. 13373 sponsored by Rep. William Ayres (R.-Ohio) and S. 2788 sponsored by Sen. Jacob K. Javits (R.-N. Y.). It differs from the Daniels bill in the following major ways:

- A board of experts would set the federal standards.
- The Secretary of Labor's role would be limited to policing the standards.
- A court order could be required before a plant could be shut down.
- An employer would be allowed to collect damages from the government for wrongful closing of a plant.
- The posting of citations would not be required.

While he believes there's still room for improvement, safety expert Queener says the Administration bill "puts the emphasis in the right place—on safety and health." He adds: "In doing so it reflects generally sound draftsmanship and the vital elements of a fair trial." **END**



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THIS MONTH'S GUEST ECONOMIST

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FORCES BEHIND STOCK MARKET UPS AND DOWNS

Basically, it is investor "anticipation" which determines the relative balance between selling and buying orders for stock. This, in turn, determines whether the general stock market will be going up, down or sideways.

Over the long run the market reflects investors' hopes (and fears) concerning the rate of growth (or decline) in corporate profits after taxes—a rate translatable into share earnings and dividend growth rates.

There are refinements by securities analysts such as estimated appropriate current price-earnings ratios. But the anticipated earnings rate looms large in determining the level of the price-earnings ratio.

If the growth rate projections are wrong, as they sometimes turn out to be, the investors' "anticipation" can change sharply, and the trend of stock prices will change or even reverse itself.

In the shorter term, stock market prices may vary sharply from the longer term trend due to many factors: Political, such as a threat of more government regulation or hope for less; fiscal, such as a cut or increase in taxes or change from budget surplus to deficit; monetary, such as an increase or decrease in money supply, credit, rate of spending and interest rates; or economic, such as an increase or decrease in the inflation rate or change in direction of "leading" business indicators.

There also are the rumors, good or bad; other uncertainties that bear on earnings such as warlike international incidents, hopes for peace, fear of general labor union strikes, or a currency crisis.

A multitude of other factors affect individual stocks and industry group price levels, such as news of mergers,

new contracts, ore or oil discoveries, sharp changes in sales or earnings, new management or new patents.

The news is full of such events, some of which have been "discounted" (anticipated). On individual stocks this "discounting" of events is sometimes discouraging to corporate officers. For example, a published earnings increase may cause hardly a ripple in the price of a company's stock because the increase had been expected. Or perhaps publication of a 10 per cent earnings increase is followed by a sharp decline in the stock's price because investors had anticipated a 15 or 20 per cent gain and were disappointed.

Much technical and chart work has been done by investment researchers to try to select individual stocks whose price patterns are already changing, with or without news. Actually, there is not a stock market for investors, but a market of stocks.

One of the most puzzling and frustrating factors in the general stock market is the psychology of investors. Sometimes, changes in investors' mood cause price overruns on good news and overreaction on bad news. One such example is the "inflation expectation" which caused a Dow Jones Industrials price overrun in early 1966 and an overreaction the same year during a credit crunch.

After the precipitous decline in the general market in 1969, based on changed estimates of corporate earnings because of continuance of tight money, there was a wave of tax loss selling in which some of the proceeds shifted to the fixed income markets. The mood of investors caused another overreaction against the stock market, generally, in the past two months:

Thus "timing" plans are of great importance, especially when watching out for overvalued or undervalued special situations or making portfolio switches between stocks and fixed income securities.

The psychological pressures on the market which at times lead to excessive buying or selling may move the market level away from the fundamental price trend projections. These interim moves produce a "technical" position in the market which unleashes selling or buying power from institutions and others, creating sharp declines or rallies.

Although a number of technical market tools are published, the technician must also use his intuition and get the "feel" of the market. Usually, "the curtain comes down" when he is asked to disclose all the details of his technique in such forecasting.

Much of the above discussion covers "normal" booms and recessions but once, perhaps, in every business and political generation unusual social pressures tend to feed the fires of inflation. Currently, inflation—at 6 per cent a cruel burden on the poor, the pensioners and savers—and the deficit in our international balance of payments account are the two most persistent and complex problems vitally affecting the nation's economic health, and through it, the market.

The U. S. dollar will become more isolated unless it can return to higher levels of trade surplus—something made more doubtful by the smallest increase in labor productivity in a decade, and an accelerated wage-cost push.

America already owes some \$45 billion of short-term obligations to foreigners from the accumulation of past unpaid deficits in its international balance of payments, and has only \$13 billion in short-term claims on foreigners. Net interest on our short-term obligations is estimated to be nearly \$2 billion.

The Treasury gold stock has declined rapidly in recent years as it was sold to pay off part of the payments deficits. The over-all deficit in 1969 was the largest in U. S. history (on a liquidity basis). This year, the U. S. payments deficit tail will be wagging the domestic economy dog.

In such an unusual period the quantity, quality and velocity of money become the most important factors (excepting wars) which affect the economy and thus the market.

Irish Eyes Are Smiling at American Business



Trinity College, Dublin, is one of the cornerstones of Irish education. Scores of graduates have been snapped up by American companies. A lamppost decorated with the seal of the city of Dublin and sea horses adds tone to the entrance.

DUBLIN—In 1841, there were 6.5 million people in what is now the Republic of Ireland.

Today there are about 2.9 million people in the nation's 26 counties.

Year after year, Ireland's population dropped. In 1966, it was down to 2.8 million. But since then, it has been slowly increasing.

Ireland finally is on the upbeat again.

A major reason is that private enterprises from a dozen nations—with American companies in the forefront—are setting up businesses in this country in increasing numbers. They are establishing assembly and manufacturing plants, turning out masses of products, buying into

Irish companies, arranging joint ventures with British, German and Dutch firms.

More than 65 American firms, employing at least 12,000 people, have come to Ireland in less than 10 years. Their total investment is \$85 million. And at any given moment another 12 to 15 American companies are negotiating with Irish government officials, looking toward setting up some phases of their businesses here.

By the side of the long runways of Shannon International Airport an entirely new town grew up in the 1960's. Workers—many employed by American companies—live in the apartment houses. Junior executives

and foremen—many of whom are Americans assigned to Ireland for two- or three-year tours—live in the small houses. American and Irish executives live in the biggest houses, atop the Shannon Hills.

Dublin is ringed with American firms, often located in small industrial parks. Others have gravitated to government-owned industrial parks near the cities of Galway and Waterford.

The headlong industrialization of Ireland started nearly 10 years ago. Initially, it was about 10 per cent American. The American proportion is now running at more than 20 per cent.

Many foreign companies are in

The W. R. Grace & Co. subsidiary in Ireland, Urney Chocolates Ltd., employs 1,000 people—999 of them Irish and only one (a young lady who happens to be living near Tallaght, where Urney is located) an American. But Chief Executive Officer Gerard Kilcoyne is Harvard-trained and several of his executives studied in the States. As foreign companies have moved into Ireland the atmosphere has not been entirely free of animosity. Left-wing elements have protested, threatened and otherwise made noise, but the hubbub has been minor. Urney turns out a number of confectionary items, including ice cream. Here, Breda Moore, of Dublin, checks chocolates and feeds them into a wrapping machine.



Infotronics Ltd. employee Peter Musgrave, of Shannon, works on a two-channel instrumentation tape recorder. Sixty U. S. companies are in production in Ireland and others are planning operations. In the last 15 years, with foreign companies arriving at a fast pace, there has not been a single business failure among the Americans. The reason, says Cathal Loughney, director of the Industrial Development Authority, is that Americans are particularly thorough in scouting out business sites and opportunities. "When the Americans make their move, they have every scrap of information they can possibly use," Mr. Loughney says.



Four years ago Consolidated Engravers Co., of Charlotte, N. C., opened a plant in an industrial park near Dublin to serve an international market. The venture, 95 per cent American-owned and 5 per cent British-owned, has been highly successful. Peter Davis, an Englishman from Manchester who worked in Puerto Rico and Charlotte before moving to Dublin, runs the shop, which has no Americans on its permanent payroll. The Irish government helps tax-wise and in getting new equipment. Here, Lesley Mitchell, a young Irish artist, retouches a final positive for a book to be used in Africa.

Irish Eyes Are Smiling at American Business *continued*



American companies organizing subsidiaries in Ireland get government assistance in setting up employee training and apprentice programs. Recruits are sought among school graduates and taught skills they had never heard of a few years ago. Quickness of mind and hand make them first-rate workers. William Lyheh, 19, of Cork, works for Hamilton Tool Co., of Hamilton, Ohio, in its plant in a Shannon industrial park. His job: operating a cylindrical grinder. Irish tool and die makers' average earnings are about one third as much as their counterparts' in the U. S.



American companies prefer to locate near the cities of Dublin, Cork and Shannon, despite Irish government inducements for them to set up shop in areas where there is unemployment, such as less-populated locales around Sligo, Galway, Donegal, Waterford and Killarney. But transportation is good around Dublin, Cork and Shannon, and the companies find the caliber of worker a bit higher. Infotronics, of Houston, selected Shannon. Here, Dennis Chambers, 18, of County Clare, assembles main wiring of a digital integrator at the Infotronics plant.



Talented colleens are in good supply in the West of Ireland and some are paid only 56 cents an hour for the kind of intricate work which would cost an employer \$2.50 or more an hour in the United States. Pauline Culhane, from County Limerick, ranks a bit higher than that with E. I. Co. Ltd., a General Electric subsidiary. She tests 40-watt stereo amplifiers and has been with E. I. for three years.

Ireland purely to turn out products for export. They make nothing for Irish markets, but send their products out through the deep water ports of Dublin, Limerick and Cork, or through the Shannon and Dublin airports. They produce many of their wares in a free port area where, in effect, every item lies in bond until it leaves the country.

Guiding lights for foreign companies are the Industrial Development Authority, in Dublin, and the Shannon Free Airport Development Co., Ltd., of Shannon. Both are government-owned corporations with tremendous latitude of operation. The Dublin group works throughout Ireland except for the area where the Shannon Airport group holds forth—in the counties of Clare and Limerick and the northern part of the county of Tipperary.

American executives who want to locate plants in Ireland work through development offices in New York, Chicago and Los Angeles. Other offices are in Cologne, Paris and London.

Companies are given incentives to locate plants, subsidiaries or branch offices in Ireland, or to buy into existing Irish firms. It's a complicated business determining amounts of tax rebates, organizing training courses for Irish workers, providing

subsidized transportation for them, finding or building low- or even no-rent properties, and arranging repatriation of capital to the United States.

Help sometimes is available for buying new machinery, too. Rarely are two deals the same.

Incentives vary by location. For example, an American company can get a better deal at Shannon than in the crowded Dublin area, where there is little unemployment. A company employing mostly men can expect more help than a company whose payroll is predominantly made up of women, because there are more idle men than women. Some tax relief arrangements extend to 1990.

There are supplies of talented manpower to be tapped. And salaries paid various categories of workers run a fourth to a sixth as much as salaries paid similar workers in the United States.

American executives and specialists sent to Ireland usually love it. They not only can live more cheaply here than they can in the United States, but they also can easily travel throughout Europe. They find life relaxed and generally pleasant.

Ireland is nearly pollution-free and, outside Dublin, nearly traffic-free.

The daughter of an American executive just back in the United States after an Irish tour of duty suggested that the family avoid praising life in Ireland.

"If we say good things, a lot of Americans will go over there and Ireland will never again be like it was," she said.

Ireland not only is getting new money, new products, new ideas, new people—this soft and gentle land is also getting some of its own people back. Irish lads and colleens from Connemara and Donegal, from Sligo, Mayo, Wicklow and Kerry, who years ago went to London and sometimes on to New York and Boston, have come home.

They are building up the population again for the first time since potato famines left hundreds of thousands of Irishmen dead; since Britain drained away so much of Ireland's wealth and talent; since religious turmoil and revolution shed so much Irish blood.

Ireland's population has been held down in recent years not only by lack of economic opportunity in the homeland but also by late marriages which curbed the birth rate.

Now, mores are changing. Irishmen are marrying younger, as businesses move in, producing jobs and the money they bring. **END**

Attorney General Mitchell: The Tide Is Turning Against Crime

When John N. Mitchell became Attorney General, he set forth his basic policy in unmistakable terms:

"The Justice Department is a law enforcement agency. It's not an agency for the establishment of the social policies of the government."

President Nixon chose his former campaign manager and law partner to implement his belief that a firm, even-handed approach to law enforcement at the top governmental level would extend to state and local officials who are in the front lines of the war on crime.

"The public climate with regard to law is a function of national leadership," is the way the President put it.

That approach is already paying dividends.

"We are having considerable success" in attacks on organized crime, the Attorney General says.

As for other crimes, ranging from street holdups to embezzlements and murders, "the tide is beginning to turn," Mr. Mitchell says. He cites FBI reports showing that, while the crime rate went up 17 per cent in 1968, the increase was 11 per cent in 1969, the first year of the Nixon Administration.

Congressional backers of a tough line against criminals say the Justice Department would be having more success if Congress had given it the strong new weapons it requested last year. The legislation has moved tortuously.

Despite legislative problems and other controversies that have swirled around him, the soft-spoken, pipe-smoking Mr. Mitchell has retained his calm and his sense of humor. (Asked, at a picture-taking session in his office, if he would mind posing beside a bust of Justice Oliver Wendell Holmes, the Attorney General cracked: "I don't mind, if he doesn't.")

He's little troubled by his reputation as the hardnosed "Mr. Tough" of law enforcement and traces it to the fact that "I believe in carrying

out the laws and mandates, and in using all of the tools, that have been provided to us by Congress."

Mr. Mitchell here discusses with a NATION'S BUSINESS editor his official policies and personal views on the many facets of crime:

How was organized crime able to build such a huge empire in this country?

Organized crime is composed of syndicates and individuals whose whole purpose in life is the pursuit of criminal activities. They have been successful in organizing in great depth and with great skill. And, of course, when they operate as they do—the way they exercise the power of fear—they have success beyond what normal human beings would have. In addition, they are operating in very lucrative fields.

Gambling, for instance, provides them with a take of upwards of \$20 billion or \$30 billion a year. They use the bankroll they get from gambling for purchasing and distributing narcotics and for extortionate loans. The end product of many of these activities is investment of their ill-gotten gains in legitimate businesses.

They, like knowledgeable businessmen, go where the action is, whether it's in the big cities, smaller communities or the suburbs.

What is the federal government doing to fight back?

We have many programs that affect the activities of organized crime. But, in respect to the existence of organized syndicates and what will, we hope, be their removal from the national scene, we have basically operated through our strike forces. These are teams of lawyers from the Justice Department and investigators from the FBI, Secret Service, SEC, IRS, Labor Department and whatever other availability we have in our government for investigations.

How do these teams operate?

The general approach is first to



PHOTO: JOHN S. BARNETT

identify the players and then identify their activities and the federal laws under which they may be brought to judgment.

Of course, the discovery of crimes against state and local laws is frequently a by-product along the way, and that evidence is made available to local prosecutors.

We have also innovated with New York a "joint strike force" composed of state, city and federal law enforcement agencies. We feel this combined effort will eliminate overlapping and we will have an end product of two plus two equals six.

What success have you had in fighting organized crime?

We feel we are having considerable success. Not all of it has surfaced because some of these investigations, when you deal with these intricate organizations, are time consuming before you get to the end of the road. But our indictments in 1969 were up 30 per cent over 1968, and I think the FBI's last annual report indicated that between a fifth and a quarter of the identifiable Cosa Nostra operators either were in the hoosegow or were under indictment.

How much of a threat does organized crime pose to legitimate business?

There are various ways in which organized crime affects legitimate business. I think one of the most ruthless is use of strong-arm tactics to take over by forcing the owner to sell out.

Also, the racketeers control prices through anticompetitive practices, always having strong-arm tactics available if they need them. And they are involved in hijackings, theft of securities and other crimes that victimize legitimate businessmen.

Let me give you a specific example. Air freight is one of the country's fastest growing industries, with an integral part of its success the speed and efficiency with which cargoes are trucked to and from airport terminals.

At a major airport, where air

Attorney General Mitchell *continued*

freight is a big business, a local union known to be controlled by elements connected with the crime syndicate became the dominant union. At the same time, an association of air freight truckers was incorporated into a larger trade organization, which shortly thereafter hired as consultants two men who had been publicly listed as members of a crime syndicate. The association's dues increased 750 per cent in five years and its initiation fee went up to \$5,000.

There is strong evidence to warrant a suspicion that the entire air freight trucking industry at this airport is controlled by organized crime; that it is trapped between a racketeer-dominated trade union on the one hand and a racketeer-dominated trade association on the other.

So, at this particular airport, organized crime is exacting tariffs from the shipper, the truck driver, the trucking company, the airline and, indirectly, the eventual consumer. At the same time, the syndicate can identify cargoes to be stolen and provide a marketing system for them.

Several criminal cases are pending as a result of these activities and the investigation is continuing.

What can be done once organized crime has moved into or taken over a business?

Many things. Once racketeers take over a legitimate business, they normally are not content to operate it as such. They go on to anticompetitive practices and other activities. We have, under existing antitrust laws,

the vehicles with which we can get at them in such cases.

We also have asked Congress to approve legislation that would enable us to move against companies that have been financed with proceeds of criminal activities. Nothing hurts organized crime more than hitting at its vehicle of operation and removing its money. You have to get it at the top. If you only pick up the small fry, the fellow carrying out the mission, he generally can be replaced.

What are the other important aspects of the anticrime bill in Congress?

Protection for witnesses is very important. It's often difficult to get victims to testify against organized crime because they are in fear of their lives. This is particularly true in this extortionate credit field.

Many heads of families or small businessmen go to the racketeers and borrow money at extortionate rates. Then, if the fellow doesn't pay, it's a broken arm or the bottom of the river, or an attempt to compel him to open the night vault if he works in the bank or to bring him under their control to do whatever they want wherever he works.

We want to make it possible for people like that to come into court without fear of reprisal.

New weapons for getting at big-time gambling and improvements in the grand jury system are also important parts of the bill.

There has been a surge of violence against business, including bombings and burnings. Are you concerned that

this is the forerunner of a new wave of radicalism against the business community?

Yes, it is something I am quite concerned about. In my opinion, it is a developing pattern. Last year and the year before, these militant radical groups were having some success on the campus in getting some segments of young people to follow them into their demonstrations in support of their announced goals of destruction of our system of government.

I feel that a history of the last two years has shown that this limited number of radicals and militants has lost standing with youth in general, who are perfectly willing to demonstrate and protest but not to go into outright violence and destruction.

So the radicals have broken off from the New Left, if that's what you want to call it, and gone into an area where they have decided to do their business—their thing—in a more destructive way. As dangerous as these people are, they are relatively limited in number and we hope more of those within the groups will break away so we can get down to where the few who are left can be put where they belong—in jail.

Turning to another area, what is the outlook for the Nixon Administration's goal of halting the rapid increase we have seen in street crime and other crime not part of the big-time rackets?

Well, I think the tide is beginning to turn. If we look at the FBI statistics for calendar 1969, the 11 per cent increase in crime was the lowest in four years and down from 17 per cent in 1968. I believe the trend is toward reducing the increase and then toward a decrease. The decrease will come.

Why is this so?

There are a number of reasons. We have been faced with an archaic criminal justice system and steps have only recently been taken to bring it up to date. I speak of the police forces; the courts, which are overcrowded and not functioning properly; the prosecutors' and public defenders' offices; a correctional system in which 45 per cent of the people who finish prison terms are again apprehended, con-



The Attorney General has this reaction when asked about his reputation as "Mr. Tough" of the Nixon Administration.

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The wave of anti-business violence is "something I am quite concerned about," Mr. Mitchell reports.



victed and put back in the pokey. You can rehabilitate these people so they don't become second and third or fourth offenders. We also recognize the need to improve our juvenile courts and facilities for juvenile offenders.

There is now great awareness of all these needs.

In addition, our drug programs are having a big impact. We want to get at this question of drug addiction so the addict doesn't have to go out and perpetrate a crime every day in order to get the cash to take care of his habit.

I also believe the Law Enforcement Assistance Administration is going to be very effective in bringing about a decrease in crime. It was established in 1968 with an appropriation of \$63 million and we are asking Congress this year for \$480 million.

The money goes to the states and localities to help them improve law enforcement and everything else in the criminal justice spectrum. Included—this is most important of all—is research in all of these fields to

make sure we are upgrading our activities and our equipment. We have been stagnating in the criminal justice field for the past 100 years.

With all the sophisticated equipment available to police officers today, you have said that "the well-trained beat police officer is still the single most effective weapon against crime." Would you elaborate?

I think the decrease in crime in the District of Columbia—a 16 per cent drop in the past few months—is the perfect proof. There is nothing greater as a deterrent to a mugging or a hold-up or the robbery of a liquor store than to have a policeman there. This was demonstrated in connection with Embassy Row. Every time the police department put men out on foot patrol around the embassies, the problem of crime disappeared in those areas. As soon as the policemen were removed, the problem came back.

There's a school of thought that gambling, marijuana and pornography involve individual choice which the government shouldn't try to regulate,

and that police problems would be simplified if those activities were legalized. What do you think would be the effect of legalization?

Well, of course, we are getting into a field of sociological import which is not my business, but I do have an opinion on it.

I believe that gambling has a deleterious effect upon society. It hits people in the ghettos and others who have limited incomes. Their addiction to gambling, whether it is illegal or legal, causes many of them to use their bread and butter money in the hope they will hit the daily double or the sweepstakes or the number in the numbers racket, or whatever it is.

I think this is a bad social stance.

As for marijuana, the returns are not all in, in a definitive way, from all of the studies. But I have a very strong personal feeling that, while other people are discussing marijuana in terms of its being addictive, the question is not addiction but dependency. Users of marijuana become dependent upon it for their kicks or highs or lows or whatever they get

out of it and I think there's reasonable, though perhaps limited, proof that a dependency upon marijuana frequently leads to more dangerous drugs.

In the area of pornographic literature, I couldn't care less what they do with it—as long as it is not made available to the young. If somebody wants to look at dirty pictures, that is their business—if they're old enough and have a mind of sufficient stature to make this determination.

But it's the spreading of pornography through the mails and into the homes where it falls into the hands of the young that is particularly disturbing. This is why the Administration has asked for laws to keep this material away from youngsters.

Some measures the Administration has requested in its crime bill have been criticized on the ground they conflict with constitutional rights. One is the proposal for detention in jail of suspects whose records indicate they might be dangerous if released on bail while awaiting trial. How do you answer that?

A pretrial, or preventive, detention is, in my opinion, perfectly constitutional. It provides that certain types of defendants or prospective defendants who might be a danger to the community can be held after a full evidentiary hearing before a court. The judge makes the decision as to whether the accused should be detained. If he is, he must be brought to trial within 60 days. People have been detained throughout this country's history for certain types of crimes for unlimited periods, and without evidentiary hearings.

Why is the Nixon Administration using "bugging" in criminal areas where the previous Administration refused to use it?

Electronic surveillances or wiretaps are used in two areas. Number one has to do with national security and they have been used in this country in such cases from the time the practice was invented.

The second has to do with the 1968 anticrime law, which authorized electronic surveillance in certain cases. But, here again, the bill provides that you cannot do so without getting a court order. And for the judge to

approve, you have to demonstrate to him that there is probable cause that the individuals are undertaking a crime in a designated area.

Does the law abiding citizen have anything to fear here?

The Attorney General must personally approve each wiretap or bugging order issued by the federal government. If whoever sits in this chair exercises that power with restraint, I don't feel we are going to invade the privacy of anybody whose privacy shouldn't be invaded. I am talking about organized crime, kidnapers, drug peddlers and that type of thing.

Could you fight organized crime effectively without intercepting conversations?

From what I see, not using it is like fighting with one hand tied behind your back. Organized crime is big business. They are very resourceful people. It is awfully hard to get informants within their setups. They are clever in the cover-ups of their

activities. But they have to use telephones.

How can the businessman help his government to fight organized crime?

The best way he can do this is by coming forward with information about it, because we find in many areas that legitimate businesses, even large corporations sometimes, are doing business with the organization racketeers or with labor unions that are under the dominance of organized crime. He shouldn't think he can do business with them and gain an advantage.

I also would suggest that he join with other businessmen in citizens' groups that are helping to remove this blanket of organized crime.

President Nixon has said, and I have said, that government cannot solve this crime problem alone, that we need citizen involvement. There are literally hundreds of programs around the country that relate directly to the total program of the elimination of crime. **END**

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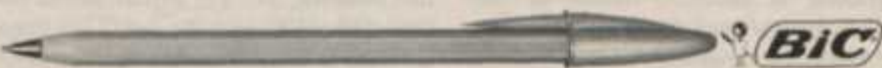


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Those Tax Deduction Blues

The U. S. Tax Court is an arena for a lot of citizens who think the IRS is wrong; its cases range from the proper size of executive salaries to offerings to evil spirits



To IRS, a "trophy" was fair game.

Why should a cemetery own a yacht, anyway?

Is an opera star's claque a business expense?

Is money paid to butter up evil spirits taxable?

Is an artist who paints from dawn till dusk in business for profit?

Gilbert-and-Sullivan-style problems such as these frequently confront the 15 judges of the U. S. Tax Court—a Washington tribunal that is at once unique and virtually unknown to many citizens.

Off-beat problems aren't the only ones that wind up on the court's docket. Ordinary taxpayers great and

small—6,532 of them last year—get there when they've exhausted the appeals systems within the Internal Revenue Service and received no satisfaction. (Even Mafia leaders, so hard to haul into other federal courts, turn up there voluntarily.)

One issue sure to bring hundreds of companies, and the men who run them, into the Tax Court this year will be disagreement with the IRS over whether expenses they have claimed are really "ordinary and necessary" costs of doing business—and therefore tax deductible.

Not all of them will have as exotic a problem as the cemetery in California that petitioned the court recently.

On its income tax return the corporation that operates the cemetery had deducted the costs of running a \$300,000 yacht. The IRS balked. Not surprisingly, tax agents had wondered how a yacht could be part of a cemetery's overhead.

The cemetery operators explained in their petition to the Tax Court that the yacht was needed in case customers willed that their ashes be strewn over the ocean.

In the same petition they readily acknowledged that California state law forbids such ash-scattering (except from airplanes). But they said they were holding the yacht for "that use when it should be permitted."

Eventually, they decided to drop the petition and pay \$45,706 in additional taxes.

A major source of disputes over business tax deductions is IRS adjudgment of executive salaries as "excessive."

The IRS, of course, can't stop a company from paying an executive as much as it wishes. But the agency can—and does—disallow deductions of any part of the salary that exceeds, in its view, "reasonable compensation for personal services actually rendered." And this adds to the company's income taxes.

A "family" man

That issue has brought to the Tax Court two companies which have had Mafia-linked figures on their executive rosters.

One is the Oneonta Dress Co., Inc., in Oneonta, N. Y., which listed the late "Three Finger Brown" Luchese, chief of a Brooklyn Mafia "family," as a \$15,000 "valuable executive"

back in 1965. The IRS said the company had not established that the pay was reasonable for any tasks Luchese actually performed and refused to allow it as a deductible business expense. It also contended the company had not even established that Luchese was a bona fide employee, so a \$3,637 company payment to the employees' pension fund on his behalf was also disallowed.

Oneonta Dress petitioned the Tax Court last year to contest the additional \$5,314 the IRS says it owes.

Not all taxpayers go the Tax Court route to contest notices of deficiency from the IRS. A few take their cases to ordinary U. S. district courts. If they go to the Tax Court, though, the deficiency does not have to be paid until after the case is settled. Those who go to a district court must first pay the deficiency, then haggle about it.

Personal privilege?

Some businessmen go to the Tax Court after the IRS claims an item of their company's spending has benefited them personally and therefore is taxable income.

One such case involved Arthur B. Homer, former board chairman of Bethlehem Steel Co. The IRS had tallied up all his trips in a company airplane to such places as Bar Harbor, Me., and Palm Beach, Fla., and figured they were the equivalent of \$146,619 in taxable income. It sent him a bill for a \$131,625 income tax deficiency covering three years.

Mr. Homer contended the flights were not for his personal benefit, but actually were carrying out company business, because Bethlehem "considered it to be in the interests of its business promptly to transport its top executive officers to and from their vacation points."

There also were occasions when the plane was required to fetch a top executive from a vacation spot so he could attend some important business meeting, Mr. Homer said. This benefited the company, not the executive, he argued.

His trip to the Tax Court paid off. The case was settled, by stipulation before trial, for \$26,571.

Compromises before trial are the way 75 to 85 per cent of Tax Court cases are settled.

A few hundred are dismissed for want of prosecution (by the taxpayer,

WILLIAM M. RINGLE, author of this article, specializes in covering Washington government agencies for the Gannett Newspapers.

not the government—the government is always the respondent in Tax Court cases) or for lack of a proper legal question. Another 10 to 15 per cent (846 last year) are finally settled by a judge. Of these, about a quarter are carried to appeals courts.

One of those who fought his case to a higher court was Los Angeles Dodgers shortstop Maury Wills.

His problem resulted from his being dubbed 1962's "outstanding professional athlete" and presented with the bejeweled S. Rae Hickok Belt, worth \$6,038.19 and donated by the Hickok Manufacturing Co. of Rochester, N. Y. Scarcely had he clamped the belt's gold buckle closed than the

"We dislike it," the judges grumbled. "The next step would be for the Internal Revenue Service to tax the gold and silver in the medals awarded to Olympic Games winners." Sympathetic Congressmen rushed to file several bills to avert such situations in the future.

Similar, but not the same

It might seem as if the Wills case would determine a similar one brought to the Tax Court by Jacqueline D. Fiske of Darien, Conn., wife of a senior vice president and director of Moore-McCormack Lines, Inc. But the IRS seldom accepts a Tax Court decision as binding in similar, or even

Congress), and though some of its judges spend a lifetime writing decisions in tax law, the IRS views each Tax Court ruling as resolving only that one problem—unless the IRS formally concedes that the decision is to apply to others in the same fix. It rarely does.

Part of the reason is that if the IRS were to accept every Tax Court interpretation as universally binding, there might be collisions with contradictory judgments from U. S. district courts. So the agency at least waits until a higher court has passed upon the issue before agreeing that it applies to all taxpayers.

Two tax problems are seldom really alike anyway. There is always some subtle difference. The endless ways in which the same basic questions can be framed for the Tax Court are a tribute to the creativity of the human spirit.

For example, before any business expense can be tax deductible a single basic question must be answered: Was the business genuinely intended to make a profit? The purpose, of course, is to rule out operations, such as some rich men's part-time farms, that are intended to create tax deductible losses. The conflicts on this question alone are limitless.

Grim picture for artist

Recently, for instance, the Tax Court decided that artist Louis H. Porter, although he customarily painted from 5:30 a.m. to 4:30 p.m. daily and had been a "sincere, dedicated," trained artist for more than 30 years, was not entitled to deduct the costs of his paints, studio, brushes, canvases, or frames as business expenses.

The trouble was that during that period, although he had produced more than 1,000 paintings and tried to sell them, he had found buyers for only about a dozen, and all but three went to his family or friends.

During most of those three decades Mr. Porter was sustained on an inheritance from his mother and, earlier, on a small allowance from his father.

In that decision the court and the IRS came perilously close to finding that because there is no market for an artist's work—a circumstance in which many of history's great innovators have found themselves—his endeavors can't be characterized as a trade or business with a good-faith



Opera stars find little to applaud in tax agents' tactics on claque.

IRS ruled that the belt was taxable income and that he owed \$4,754 more in income taxes.

He argued that the belt was a "trophy" and that he had no plans to liquidate it or to use the gems—aside from having one stone set into a ring for his wife.

Voicing "solicitude for Wills's position," Tax Court Judge William M. Fay agreed that the baseball star was being, in effect, "required to pay for the privilege of retaining a trophy." But the judge said the law constrained him to approve the tax.

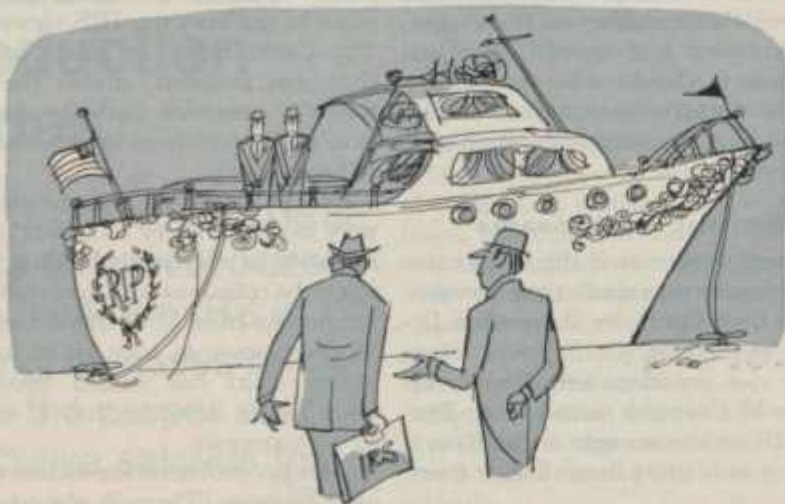
Last year three U. S. Court of Appeals judges who heard Mr. Wills's appeal were even more reluctant to follow what they decided—"unfortunately"—were the law's dictates. But they, too, found that the belt was taxable income.

identical, situations. Mrs. Fiske had been picked to smash the traditional beribboned bottle of champagne against the prow of the good ship S.S. *Mormacvega* as it was sent down the ways.

As a "suitable memento of the occasion" the company gave her a bracelet and a pair of ear clips. The IRS valued them at \$2,450, classified them as taxable income and assessed her \$1,039 in additional taxes for 1964. She claims the jewelry was not pay, but a souvenir.

So far, she hasn't received a ruling.

Though the court has been operating for 46 years (it began as the Board of Tax Appeals in the government's Executive branch, changed its name to Tax Court in 1942 and became a full-fledged part of the federal judiciary only this year, by an act of



You never can tell when a yacht might come in handy for a cemetery.

intention of profit. Mr. Porter's reward, presumably, was in what the Tax Court called "the gratification derived from an occupation worth doing, possibly beneficial to others, and probably requiring long hours of arduous labor . . . [which] must still not be confused with an intention to return a profit."

Charges of IRS callousness to the demands of art are an old story in the Tax Court.

Take the *claque*, the group of music lovers whom a singer pays to erupt in applause at the proper moment—such as right after their benefactor has belted out an aria.

Right now basso Giorgio Tozzi, baritones Mario Sereni and Anselmo Colzani and soprano Birgit Nilsson, all of the Metropolitan Opera, are separately in Tax Court complaining that the IRS won't recognize their *claque* payrolls as tax-deductible "ordinary-and-necessary" business expenses.

Some taxpayers complain an IRS anticultural bias shows up in its wrangles over the estimated price tags on charitable contributions. The more the taxpayer can show his donation to be worth, of course, the bigger the deduction and the smaller his income tax.

TV broadcaster Mike Wallace, for example, presented a bunch of his taped interviews with historic figures to the University of Texas and deducted \$15,000 for the contribution. He also deducted \$9,600 for a documentary he presented to Syracuse University. The IRS valued the Texas

batch at \$2,000 and the Syracuse tape at \$500.

Mr. Wallace appealed to the Tax Court.

So far, it hasn't decided whether his assessments—for which he relied on a professional appraiser—or the IRS's are correct. For Mr. Wallace, \$11,600 in additional taxes are riding on the outcome.

Income tax cases aren't the only ones the Tax Court considers, though they are the most numerous.

In a state over estates

Arguments over size of estates are frequently brought to judges. Often the question is whether a deceased taxpayer had given away property, before his demise, "in contemplation of death" and in order to avoid state taxes. When the Tax Court decides he did, the property transfer or gift is taxed as part of his estate.

Gift taxes and excess profit taxes also are disputed in the court.

Inevitably, one wonders why the IRS agrees to compromise a huge tax deficiency before trial, sometimes for half or less. If there was enough evidence to accuse a taxpayer in the first place, why doesn't the IRS stick to its guns and fight it out at a trial?

The IRS answer is that sometimes its action is dictated by a bird-in-the-hand theory. It's better for the government to be assured of getting a lesser amount, plus a savings in court costs and time, than of chancing the loss of everything after a trial.

Another reason for settling is that sometimes the taxpayer fails to tell

all in the preliminary skirmishes. When he bares all of his data in Tax Court, the IRS occasionally finds that he was right all along and that it had no case, or a lesser one than anticipated.

Sometimes the IRS is forced to send a notice of deficiency merely to keep a case alive when the statute of limitations threatens to force its expiration. When the time comes to put up evidence that will stand up in court, the IRS is forced to back off and satisfy itself with a settlement.

Unaccountably, neither the Tax Court nor IRS lawyers who defend cases there keep figures on what per cent of the settlements represent victories for the government and what per cent for the taxpayers. One gets the impression, however, that the IRS is overwhelmingly ahead.

As for the cases that actually come to trial, the IRS had almost a 4-1 victory record last year and 2-1 the year before. And this doesn't count a number of other cases the IRS classes as "partially won," where it managed to get part of the taxes.

Under some pressure from Congress, the Tax Court last year began a small claims procedure, designed to resolve small simple disputes without forcing the taxpayer to hire an expensive lawyer and spend long days in court.

Most small claims questions are relatively humdrum. None yet has rivaled the problem brought to the court by Gypsy palmist Ruby Marks, better known in Kansas City as Madam Lamara, or Sister Mary.

One of her clients had experienced stomach trouble. The cause, Ruby decided swiftly, was the spirits' annoyance over her client's obsession with money. She agreed to take his \$5,000 life savings, cleanse it of curses (this involved a dead chicken, a cemetery at midnight and the apparent burning of the cash) and see that the spirits restored it, doubled.

But the money did not return—cleansed, doubled, or at all.

In the Tax Court, Ruby challenged an IRS decision that the \$5,000 was taxable income to her. But Judge Austin Hoyt, who heard the case, agreed with the IRS that she owed \$1,156.

END



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The Gallery of Great Americans will be open to the public.

AMERICAN FREEDOM WILL SOON BE 200 YEARS OLD. This is but a fortnight in the history of civilization. In this short time a great country has been forged out of the toughness of the American spirit. Free men and women did it. Many of them from humble beginnings.

It is time that the men and women who have contributed most to our American heritage be given an appropriate tribute—a permanent commemoration that can serve as an inspiration to the youth of today, and tomorrow.

The Franklin Mint has resolved to do just that—to establish a permanent Gallery of Great Americans at Franklin Center, Pennsylvania, near the birthplace of American freedom almost two centuries ago. The Gallery will become a constantly expanding, living center of national pride with permanent exhibits dramatically telling the stories and portraying the achievements of the Great Americans honored.

To give as many people as possible the opportunity to become acquainted with the Gallery, The Franklin Mint will also produce and distribute a series of finely engraved commemorative medals immortalizing each of the men and women who are selected to be included in this historic shrine.

A distinguished group of citizens, acting as an advisory board, has selected one person in each of twelve categories to be honored in the first year. These Great Americans, pictured above, will be the subjects of the 12 commemorative medals to be minted in Solid Bronze and Sterling Silver during 1970, and soon thereafter their achievements will be magnificently portrayed in individual exhibits in the Gallery.

The selections for 1971 and future years will be made by you, and by other interested citizens—in the most democratic manner, by ballot. Our board of advisors' nominations for 1971 appear on the ballot at the right. Now, the choice is yours. Cast your vote for one nominee in each category—or, if you prefer, write in your own selections.

Long after this historic celebration is past, the commemorative medals struck in response to this balloting will form an imperishable record of our nation's history.

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Athlete



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Military Hero

These 12 Americans will be honored in 1970 with a permanent place in the Gallery of Great Americans. Who will you select for honors in 1971?



The medals are 38 mm in diameter (larger than a silver dollar). Handsome 8 x 10 inch plaques for each year, which can either be framed or kept in their original slipcase, are included with each First Edition Proof Set.

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- ☐ Alexander Graham Bell
☐ Eli Whitney
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- ☐ George Washington Carver
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- ☐ Oliver Wendell Holmes
☐ Horace Mann
☐ John Marshall

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- ☐ Samuel Gompers
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☐ Edgar Allan Poe
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- ☐ George Gershwin
☐ W. C. Handy
☐ Frederic Remington

Actors & Entertainers

- ☐ John Barrymore
☐ Edwin Booth
☐ W. C. Fields

Athletes & Sports Heroes

- ☐ Knute Rockne
☐ George (Babe) Ruth
☐ Barney Oldfield

Military Heroes

- ☐ Ethan Allen
☐ Andrew Jackson
☐ Douglas MacArthur

NOTE: Ballots must be postmarked by July 4, 1970 and received by July 10, 1970 to be included in the count. Results of the balloting will be nationally publicized.

OPTIONAL PROOF SET RESERVATION FORM

Those balloting have the exclusive right to acquire a Proof Set of the medals issued by the Gallery of Great Americans. If you wish to exercise this right, please indicate so below. Please note that there is no obligation to order this set of medals. On the contrary, it is a privilege extended only to those who participate in the election.

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I wish to exercise my option as a participant in the Great Americans election to subscribe to a First Edition Proof Set.

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G 10

When Robert E. Fagen (left) and James D. Johnson presided over CCI's founding in 1966, they picked a name to show it was in both computers and communications. At first, their entire operation was in one room of this building in suburban Los Angeles. The two transplants from Minnesota formerly held key positions with Control Data Corp.



DYNAMIC GROWTH COMPANIES: 4

Computer Communications, Inc. Small numbers can add up to the big time

It's a fast-growing firm in the fastest-growing section of a booming industry.

The industry is computers, the section is data communications, and the firm is called Computer Communications, Inc.

CCI was started four years ago by 10 computer scientists from Minnesota who pooled their savings and made a \$330,000 bet that they could capitalize on an expanding field. They foresaw rising demand for equipment and services in connection with networks of computers.

"We thought that as a group we could run circles around anybody in the computer business," recalls Dr. Robert Fagen, CCI's president.

Today the firm has 150 employees, and offices in 11 cities. Headquarters are in Inglewood, Calif.

During the first year, CCI concentrated on contracts for specialized work in logical design and engineer-

ing. Then it came out with its "CC 30" communications station, a multiplexer, computer channel interfaces and a minicomputer.

About 80 per cent of sales are now from standard products it manufactures, and the rest are from services.

Losses totaled \$280,000 in the first two years, but then the tide turned. CCI, which went public in October, 1968, has been in the black with increasing sales for seven straight quarters. Sales are expected to hit \$6 million this year.

"It's a trick to make money in the computer industry," says Dr. Fagen. "It's even a bigger trick to make money early in your company's history, especially if you're trying to develop a product line as you go."

Dr. Fagen envisions his scrappy firm as "the predominant force" some day in computer communications systems.



A chart showing the development of modern mathematics hangs behind the desk of Dr. Fagen, who got his Ph.D. in math at the University of Minnesota and began his career as a teacher. A Bell Telephone Laboratories job and a stint in the Navy introduced him to the potentialities of computers. He has been in various phases of computer work for 18 years now. "Every move I've made, though made at random, in retrospect turned out to be fortuitous," he muses. To relax, the CCI president enjoys doing crossword puzzles in his backyard sauna, taking a dip in his pool and playing a form of blind chess called kriegspiel. Dr. Fagen, 40, lives with his wife and three children just a few blocks from his headquarters.

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Computer Communications, Inc.

continued



CCI Vice President James Johnson, 38, had no desire to be a businessman in his school days. He was mainly interested in ballistics and optics. In his garage lab he made marketable discoveries in use of standard TV screens as computer terminals. Another mathematician in the family is his wife, Dora, who shares also his deep interest in individualistic philosophy. At left she reads a magazine about karate, which they both are learning. Mr. Johnson collects single-shot Smith & Wessons and is an amateur photographer and astronomer.



One of CCI's biggest current projects is the development of a complete computer communications system for Blair & Co., a nationwide brokerage firm. The task has been assigned to Intelcom, Inc., which is 22½ per cent owned by CCI. A secretary, above, tries out a CCI-made terminal headed for Blair. Looking on is Eugene M. Guffan, 40, CCI treasurer. Dr. Fagen describes Mr. Guffan, a friend since grammar school days, as "one of the few treasurers who know how to run a computer."



A score of universities use CCI equipment. Included is the University of California at Los Angeles which has one of the country's largest campus computing networks. UCLA students, above, use CCI terminals to register for classes. They list the courses they want, and the computer tells them in a split second whether they are qualified to take the courses, whether the classes are already filled and whether there are better class programs to fit the students' desires. The University of Southern California uses CCI gear to monitor brain wave patterns. Duke uses it for tracking data in open-heart surgery cases. Medical students at the University of Illinois use it as a mock patient whose "ills" they diagnose—the computer feeds back data on how the patient is responding, and a wrong diagnosis can lead even to the patient's "death."

continued on next page

Computer Communications, Inc. *continued*



David W. Packard, son of Deputy Secretary of Defense David Packard, uses CCI gear on a research project at UCLA, where he teaches. Looking on are Al Astor, CCI's technical director for marketing, and, at right, Byron L. Fry, associate director of UCLA's computing network, which includes 36 CCI communications stations. CCI consoles were chosen because they accept line printers for documentation, card readers for volume input, light pens for fast interaction, graphic display for a variety of uses and an extended set of both capital and small letters.



"It's part of my business philosophy that a small number of really qualified people can sometimes pull off a job more economically than large numbers of people with large numbers of dollars," says Dr. Fagen. Among his key people are vice presidents Dr. Ervin K. Dorff, at top, and Carlton E. Vanderbeek, both young scientists turned businessmen. "Anyone with a head on his shoulders can make a businessman," Dr. Fagen insists.

CCI Vice President Robert N. Windsor, right, and engineer Cal Bryant "prove out" a circuit design on an oscilloscope in the company's "catchall lab." Last year CCI spent \$290,000, or about 10 per cent of its revenues, on research and development. New products this year include devices which enable businessmen, or other customers, to store data in their own offices for use on computers miles away.

END



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Why Executives Flame Out

Many a bright career is plunged into gloom by a personality crisis



PHOTO: BARRY BLACKMAN

A noted production manager throws over his lucrative job to become a horticulturist. His colleagues call it "career reappraisal."

A 43-year-old sales executive makes excuses to spend more and more time away from the office, thinking no one will know how much he is drinking. His superiors find out about his problem and give it the obvious label: alcoholism.

Both cases may be manifestations

of a phenomenon called "flameout," or the mid-life crisis, which hits executives in their prime and is beginning to be recognized as a major disrupter in business.

In general terms, the pattern goes like this: The rising young executive, aflame with creative ideas, moves thru a series of regular promotions. Then, in what should be highly productive years, he "flames out."

The crisis generally hits between

the ages of 35 and 45. Some of its symptoms are absenteeism, alcoholism, ulcers, sleeplessness, hypochondria, discord with other employees, failure to follow superiors' orders, and, in some cases, a sudden, unexplained decrease in productivity.

John R.'s story is a typical flame-out case from the files of an industrial psychiatrist. At age 28, when he was hired as zone manager for a plastics equipment company, the company's

president and the vice president in charge of sales marked him as "clearly a prime candidate for success."

For three years, things went fine. John was put in charge of developing vital programs for the company.

Then, about the time he was planning his marriage (he had never been married before), he began slowing down. His immediate superior, the vice president, noticed that John was "retreating into detail, getting bogged down in mechanics."

He also was developing personality conflicts with others in the office.

The vice president prodded John and finally told him—ultimatum fashion—to develop a more positive attitude or expect to be demoted to a less responsible position.

When this tactic didn't work, the boss, who wanted to salvage a man he still considered a good one, switched from the stick to the carrot. He gave John extra vacation time for an extended honeymoon trip and at the office he tried fatherly counseling sessions.

This failed, too, but the boss kept on trying. Finally, when he had used what he described as "every motivating device in my kit of tools," he sought professional advice—sometimes the only solution.

At this writing, John's future with his company is still in doubt.

In a sense, he has been lucky. His boss recognized that the trouble was not just a matter of incompetence and was willing to try to "see it through," at least for quite a while.

Many things to many men

All too often, the sagging executive turns out to be a loss to his employer, either because he is forced to move on to another company or because he is walled off or "kicked upstairs" in his own company.

Dr. Herbert Klemme, director of the division of industrial mental health at the world-famous Menninger Foundation in Topeka, Kans., has seen the flameout phenomenon recurring in his studies of several hundred business executives.

The mid-life crisis is faced by everyone, he says, but most people pass through it so smoothly they aren't even aware of it. It may touch them only slightly. For some, it can even bring a beneficial readjustment which gives new direction to their lives.

"As a person reaches the crest of life, around age 35 or so, he begins to struggle with the inevitability of his own death," says Dr. Klemme.

"He has to revise his life goals in terms of what it is still possible to do. He has to be realistic and settle for a little less than he had hoped to achieve."

For the executive who is not reaching the goals he set for himself, the effects can be unsettling or even devastating.

A vice president of one of the nation's largest meat-packing firms feels our society's emphasis on youth has much to do with the discomfort of the middle-aged executive.

Now 48, the vice president has come through the most dangerous years unscathed. But even though he escaped the full horror of flameout, he knows what it's like to see the youthful creative drives slipping away.

"When you're young, you want to do things," he says.

"Then you get to be 35, 40, or 45 and you have to face hard, cold facts. Whereas earlier you thought of yourself as perennially youthful, you realize now that you're not a young man anymore."

"There is such a tremendous emphasis on youth culture today. Everyone wants to stay young. So when you

get to be 35 and you realize you're halfway around the track—it's a shock. Also, at this time your mobility is more restricted. You're stuck in mortgage payments. You worry about schools, garbage collection.

"You've worked like hell and now all of a sudden your food doesn't taste as good as it used to, the tree in your back yard isn't as leafy, the water in your favorite lake isn't as blue.

"To top it all off, no one in your company seems interested anymore in your ideas. It's painful."

Rekindling the flame

Getting the flamed out executive back into a fully productive life is not easy, because the problem involves so many little-understood facets of human behavior. Dr. Klemme says if it is going to be solved, top-level company executives must be understanding. He advises that management be patient and promote an attitude of openness in talking out the conflicts of the floundering executive. Preventive programs which continually guard against executive failure are also needed, he says.

To further educate business in this direction, Menninger's industrial mental health division conducts week-long seminars for executives from around the country.

Part of the crisis in the executive's middle years can be attributed to the inevitable pressures on business management and to the intense struggle to be "king of the hill."

Survival, psychologically at least, may hinge on the ability to set realistic goals.

Dr. Richard Lanman, a partner in the industrial consulting firm of Humber, Mundie and McClary, says the executive who sets his sights on what he honestly thinks he can achieve is much better off. Not everyone

Why Executives Flame Out *continued*

wants to be president of his company, but still "there is more aspiration than there are jobs available," he says.

Management obsolescence is a pitfall that can trap the unwary executive in his prime. Rapid technological advances can make his skill outmoded if he doesn't practice continuous self-development.

In this age of youth, when men are assuming the presidency of their companies at a younger age, the unrest felt by the man at the top is even more acute, because he sees bright young "stars" pushing toward his job.

A survey of the presidents of 471 of the largest companies in the United States by the management consulting firm of Heidrick & Struggles, Inc., showed that the average age of assuming the firms' top position dropped

from 54 to 49 between 1962 and 1967.

At the lower echelons, this has the effect of intensifying competition among aspirants for the top jobs. They feel pressured to succeed sooner.

Large corporations are setting up programs to deal with executive trauma.

"It's one of the biggest problems we have," says Dr. John Post, medical director for Zenith Radio Corp. "The executive's job requires studying at home and his outside activities cut down on family participation. The top-notch executive is on the board of two or three companies. And he also has to travel."

The end of the road

The first manifestation of the crisis on the job, according to Dr. Klemme, is a loss of productivity. "The executive's supervisors ask what's happened to him. He doesn't understand it either and perhaps promises to redouble his efforts.

"He may take a vacation and go back to work still not cured. He may even blow his brains out."

Suicides increase during the middle years. Latest statistics show that in one 12-month period there were 1,400 suicides of Americans aged 30 through 34, 1,800 in the 35 through 39 age bracket, more than 2,100 each in the 40 through 44 and 45 through 49 brackets, and more than 2,200 among Americans aged 50 through 54.

At the very least, the pressured professional or executive in his middle years may become reckless and accident prone, says Dr. Klemme.

He has asked many physicians if they ever found themselves on a lonely country road driving for no apparent reason at a greatly excessive speed. The answer, more often than not, was "Yes."

"Private practice can be lonely," Dr. Klemme says, "and you find yourself thinking death is not too bad an alternative."

He traces the cause of the mid-life crisis to a failure to cope with an important phase of the growing-up process. The young adult who has matured normally is filled with "boundless energy," says Dr. Klemme. "He makes enthusiastic attempts to gain mastery over the world. He has a concern with things and objects."

Then he reaches age 35 or so and his thoughts turn inward, producing the reassessment that may trigger the crisis.

The executive in crisis may turn to the oblivion offered by the bottle.

"An executive is anybody who can take two hours for lunch and drink three martinis," quips a member of Alcoholics Anonymous, an executive who entered the hell of an uncontrollable drinking habit when he was 45.

"An executive is working 10 to 12 hours a day," he says. "Too many executives try to make too many decisions without subletting them."

"The average age for starting in AA used to be 45-50. Now it's about 35. This is mainly due to the increased pressures on the younger men."

Succeeding at failure

In some cases, the executive may run from his responsibilities in the middle years because he has subconsciously charted a course of failure from the beginning.

Dr. S. Jeffrey Garfield, a Chicago psychologist who counsels teen-agers and business executives who have what he calls "nonachievement syndrome," says the businessman may coast through high school and college and then seem well on the way to a successful career.

But precisely at the point where he is about to "make it" on the job, he cops out, Dr. Garfield says.

For a man climbing the executive ladder, the cop-out usually comes around age 35-40 because this is the age at which he is likely to be ready for the most important step in his career.

Serious as the trauma of flameout can be, there is hopeful word from Dr. Klemme. He has seen many strong, emotionally healthy competitors in the business world, and he says: "The successful executive has much going for him. He is adaptable and flexible."

—DONNA JOY

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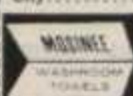
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A historic message from the Chairman of the Board of South Carolina National Bank.

In 1670 the English established the first permanent settlement in South Carolina.

In 1970 a state-wide celebration is commemorating that event. And all that has taken place here since.

All across South Carolina, the state's story is being depicted in songs, dramas, dances, parades, pageants, museums. And in three multimillion dollar exposition centers built specifically for the Tricentennial Celebration.

So no matter where you travel in South Carolina this year, you have an unprecedented opportunity to learn what has happened here for the last three hundred years.

I hope you'll take advantage of that opportunity.

A good place to start is where South Carolina did: Charleston.

Charles Towne Landing Exposition Park

Here, amid 200 acres of some of the most beautiful gardens and lagoons in the country, you can see the exact location of the original English settlement.

You can also see an unusual forest containing birds and animals native to South Carolina three centuries ago. And restored earthen fortifications. And a full-scale 17th century trading ship replica that you can board.

And all this, of course, is in addition to all the other attractions in Charleston: Fort Sumter, the Battery, the old houses, the cobblestone streets.

Charleston isn't just an important part of South Carolina history. It's an important part of American history.

But, then, so is Columbia.

Midlands Exposition Park

In Columbia, you'll see a three block historic mall containing two modern geodesic dome exhibition halls.

Exhibits in the domes accentuate the second century of South Carolina history, particularly the state's involvement in the Revolutionary and Civil Wars. Here you can see how South Carolinians lived, worked, fought and played in the 1800's.

You can also see the historic Ainsley Hall House, an antebellum mansion designed by Robert Mills, famed early American engineer-architect of the Washington Monument. And another antebellum mansion you don't want to miss is the Hampton-Preston House, built in 1818.

And you don't want to miss Greenville, either.

Piedmont Exposition Park

Climb Roper Mountain near Greenville and you'll see the last century of South Carolina history. And you'll also see into the future.

The main pavilion of the exposition is the Tetron, a giant geodesic cube designed by R. Buckminster Fuller. Inside the Tetron are five different levels that dramatically exhibit the history of our state.

You'll be given the geographical story of South Carolina. And the story of South Carolina's people.

You'll be shown the state's industrial diversification. You'll be given a forecast of things to come in the 21st century. You'll see contrasting exhibits of the past with the present. And a film about the state's history.

And I think you'll like what you see. Not only in Greenville. Everywhere.

Why Us?

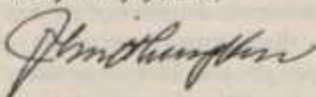
As a banker, I usually don't have reason to become involved with promoting historical attractions within the state.

But when you consider that SCN shares 136 years of history with South Carolina, talking about the 1970 Tricentennial Celebration seems a pretty logical thing for us to do.

That's why we're using national magazines to invite people to explore our state with us this year. Besides, we at South Carolina National feel the more we all know about the past, the better we'll all be able to understand the future.

And the way we see it, more understanding is something all of us could use. Whether we're bankers or not.

Very truly yours,



John H. Lumpkin

Chairman of the Board and Chief Executive Officer



ARE YOU AN INNOVATOR OR OPERATOR?



CHARLES A. DINE

The man who is best at launching an idea is seldom the one best qualified to keep it aloft. That's the opinion of a group of American business leaders interviewed on this subject.

Whether it's a new concept, a whole new company, a new division, or a new line of products, the answer is apt to be the same. "Either the creator will insist on keeping everything just as it was at first because it's his baby," as one executive put it, "or else he'll be constantly tinkering because he loves to innovate."

Either way, the maximum profitability and satisfaction everyone looks for as the new concept turns into a steady fact will be missed.

It is a delicate question to get businessmen to talk about, because it's delicate right inside their organizations. "Anything I tell you about this will be like pointing a finger at some of my key men," one board chairman says.

But several executives give revealing insights into this human problem that plagues companies of all sizes at one time or another. Chrysler Corp. Chairman Lynn Townsend finds it "wasteful" to keep a "spark plug" on his management force in one job. And a company that may have had the most experience and the most problems along this line—Litton Industries—is frank about the subject.

Litton has been so full of new projects that it seems to be a collection of supercharged innovators. Consequently a disproportionate number of its key men have gone off to start their own enterprises, often conglomerate companies on the Litton pattern.

"My company obviously doesn't enjoy losing bril-

liant performers," explains Litton Vice President Ralph H. O'Brien. "But we'd rather have a ball club full of hard-to-manage stars than one composed of tractable mediocrities."

Mr. O'Brien answers the basic question—is it true that a man is either an innovator or an operator and that no one is both?—this way:

"I am convinced that a few men have both talents. I have seen some of them—here at Litton and in other companies. But the great majority, if they have any great talent at all, are one way or the other. Since few persons are unusually gifted in either aspect of management, it shouldn't be considered a slur to say a man has only one major skill.

"The very fact that new kinds of companies are coming up in America is a recognition of the existence of these two types of leaders. First, there is more emphasis on original thinking—starting in our educational system. The really creative guy we're seeing in greater numbers feels inhibited in the older type of company, where age and tenure have largely determined the hierarchy. So he moves increasingly toward the firms that provide the environment where he flourishes. Then it becomes a cycle. As these new types of companies attract a larger percentage of the more aggressive minds, they outgrow the others. So all companies will be affected."

Does that mean the aggressive firms will inevitably vanquish the older type companies? "Oh, no," Mr. O'Brien says. "The creative men and enterprises now have to show how well they can face the new challenge of steady service and profitability. They have to learn



Operator



Combination

to use the 'operators' or 'keepers'—as well as the 'starters.'"

Crosby Kelly, a former Litton vice president and now a New York management consultant, is knowledgeable on the subject. His list of past and present clients comprises a cross-section of growth-minded companies, and their problems force Mr. Kelly to think constantly about the starter-manager conflict.

"The difference between the men who start things and those who run things is very, very great," he says flatly. "Of course there is no innovator who doesn't have to manage some on-going operations, and no steady manager who doesn't have to innovate here and there. But the huge distinction is between entrepreneurial inventiveness and the improvements that keep an organization finely tuned.

"You need both; otherwise you're headed for either a slow death or a not-so-slow one. I was with the Ford Motor Co., for example, when we launched a big program called 'Looking for a Better Way.' We valued the type of guy who would dare to ask, 'Should we really be building automobiles? Is there some better form of transportation?' But we also wanted a lot of men who had a flair for making useful modifications—turning out better cars for less money.

"What we have today is not really different from the past, except possibly in degree.

"Today, the growth of conglomerate companies has simply highlighted the existence of a type of man who has always done the empire building. He is now the man who picks the right associate and tells him, 'We're acquiring Companies A and B. You put them

together and run them while I go get Company C.'"

What makes one man the empire builder and the other one better suited to steady management? What specific quality in each man adapts him to his role?

Mr. Kelly's answer is: "The innovative guy is essentially a risk taker. Don't forget he often is staking a lot on each move. Where other men would take a small gamble and be content with a comfortable gain, he tends to go for broke. If his judgment is bad, broke is just where he goes.

"This fellow doesn't have much tolerance level for ordinary operations. That's why, if he's on the scientifically creative side, he may get into a corner. Running a company is no fun for him. Yet he finds thousands of people depending on him."

The names of such men are legion. Some major companies have threatened to come unglued because the brilliant minds at their core couldn't shift gears and concentrate on just making money.

Innovation in personnel

One big difference at Litton, in Crosby Kelly's view, may be a clue to forecasting which firms are likeliest to continue their success. The company's chief executives are innovators. "But their inventiveness is directed toward the organization, not the product or the service. They say, 'Let's go get the creative men and we'll blend their output into a business.'"

"I think the person who is basically a businessman is likeliest to have the right combination of talents within him—the ability first to innovate and then to delegate the steady management to the right kind of

Are You an Innovator or Operator? *continued*

man. Take the case of Jim Robison as an example. He came to Indian Head, Inc., after Textron had spun it off, when it was in debt and had a murky outlook. He was highly inventive about shaping it into a solid, healthy business; but once that was done, Robison got hold of a manager to run it."

A dissenting vote is cast by L. A. Jennings, board chairman of Riggs National Bank, in Washington, D. C. A former U. S. Treasury official, Mr. Jennings now is immersed not only in the enlargement of his bank, but also in watching the same process going on within many of Riggs' client companies.

"I can't agree that a man adept at launching new plans seldom has the knack or desire to keep the project at maximum efficiency," he says. "If we're talking about the man whose ideas are practical and soundly conceived, it presupposes the habit of thinking through details that are needed to turn his concept into a reality. So there is no reason why he should not have the know-how and ability to keep managing efficiently."

▶ "A chief executive officer who isn't skilled at launching new programs and handling both the new and old

able to innovate—or at least to accept and push innovative suggestions—and also to follow through with steady management. But most of his job really consists of selecting and judging other men. And in deciding which of his men can do what, he is really separating starters from steady managers.

"One of the wisest and richest businessmen I know, a Florida industrialist, is unusually blunt with his lieutenants. To a brilliant young executive who aspired to take over a new operation, he said: 'Forget about that job. You're creative. You'd sit there and think too much. The man I want is a bulldog. When he's got a bone, that's his bone, and he won't let it go. But that man's no good to me if he's got the wrong bone. So you—I want you to tell me which bone that man ought to get hold of.'"

Which is easier: To make a born manager more creative or a born innovator more management-minded?

"The latter," in Dr. Feinberg's opinion. "Although creativity can be increased, I would say it is easier to add administrative skills—that is, provided the man wants to do it. The chores involved in management—controlling, correcting, limiting, punishing, rewarding, and so on—seem either dull or decidedly unpleasant to many persons."

"They may actually take refuge in creativeness as an escape from these other burdens. Every man should have a chance to sample both the life of the innovator and that of the administrator. None of us should be like the violin whose untouched string might have made great music. But when you learn that some activities don't suit you, plan your work in a way that avoids or reduces them."

How to shuffle men

The practical problem hardest to solve is: How can you use an innovator to best effect, then move him away from his project when it enters the steady phase?

Dr. Feinberg says it's been done much more than one would think. "Some companies are shuffling men almost the way football coaches move offensive and defensive teams onto the field. Even smaller firms."

"The head of one small service organization told me he has one man who can really stimulate a client. He throws off new ideas so excitingly that the customers are all ready to sign up. But then he never delivers what he promises by the time the deadline arrives. So now they bring him in to the first meeting or two with a new client. As soon as the client is sold on the ideas, the whole thing is turned over to one of the average guys. He works up the details, gets the whole job together."

Reward seems to be the key to solving the problem of varying talents. "I remember an engineer-manager type in a company I once worked with," Crosby Kelly recalls. "He developed a new widget, worked it up to the point where it became a manufacturing and management affair. Then the firm said, 'O.K., thanks. Now we'll set up a new corporation to produce this.'"

"Of course the man complained, 'I want to stay with my widget. It's my baby.' The answer was, 'There



business to best advantage is out of his depth and sooner or later will be replaced. I don't see how you can have two sets of individuals running a business."

Dr. Mortimer R. Feinberg, a New York psychology professor whose own firm, BFS Psychological Associates, counsels many companies on management problems, notes that Mr. Jennings has used the term "chief executive officer."

Says Dr. Feinberg: "Mr. Jennings is right, if we make it that specific. The one man at the top must be

are more beautiful babies waiting to be conceived.' This worked, but only on one condition: The profit-sharing was adjusted to cut him in handsomely on the future results.

"Whenever I have had to talk anybody into this kind of switch I have used the analogy of the obstetrician, the pediatrician and the adult doctor. Why should the first two mind if the patient eventually moves beyond them? There always are new patients who need their particular skills."

This positive approach, with the same emphasis on rewards, is also the Litton Industries way of meeting the problem. "We don't say, 'You can't go on with that project,' explains Vice President O'Brien. "We say, 'Look at this hot new challenge we've got.' We don't tell him that he can't do something. We just point out he can do something else better."

Not just a mark of birth

Dr. Feinberg has given long thought to the question: Does a man have to be born with a talent for inventiveness or can he be trained to it?

"The tendency is partly genetic," he says. "Beyond that, the accidental influences that promote such a knack usually come early in life. For example, some

the students create products for these inhabitants. This has resulted in some inventions that could have great value in our own world.

"We all tend to follow the principle of exerting minimum effort," Dr. Feinberg says, "so the fewer roads we are confronted with, the more comfortable we feel. But the whole key to creativeness is to present a person repeatedly with many new roads that he must choose from. A young manager, therefore, should be exposed to the greatest possible number of stimuli."

Make it a point now and then, he suggests, "to look into parts of the company that you don't usually bother with. Or fill in temporarily for a colleague who is out sick. Getting an idea of how you would handle his problems may lead you to think of better approaches to your own."

"When you visit the office of some other company pay attention to the layout, the physical arrangements, any of the work methods that are in evidence. Then ask yourself whether these might make an improvement in your own office."

Shifts at Chrysler

Lynn Townsend, of Chrysler, is known for some of the startling shifts he has made on his management team, moving men to operations far removed from their own original fields.

"Lynn carries a 'hot list' of 20 or 25 bright young people around in his pocket," explains one of his close associates. "He keeps an eye on their performance and then suddenly plucks one to fill a key spot. I remember a product planning specialist who was moved first into a high sales job, then to head a division in an entirely different operation. The man who now runs our Chrysler-Plymouth division was our systems and planning expert until Lynn moved him over."

Says Mr. Townsend, "They are spark plugs who have the energy to make things happen. To me, it's not a question of whether or not they could do a good steady job if left in one place. I would just consider it wasteful."

Mr. O'Brien objects to any overglamorizing of the creative man's role, and the consequent downgrading of the steady manager. "I know there are companies that take the attitude, 'Once a watch is made anybody can keep it wound.' That's a fallacy that can be knocked flat by asking yourself just one question: 'What about the man who sits up above both these types, selects them, handles them and makes them work smoothly—what category is he in?' This highest role of all is usually filled by a man who is primarily a steady catalyst, combining all the others into a smoothly operating unit."

"Over the long pull, the man who keeps the watch wound is likeliest to know what time it is."

—CHARLES A. CERAMI

REPRINTS of "Are You an Innovator or Operator?" may be obtained from *Nation's Business*, 1615 H St. N.W., Washington, D. C. 20006. Price: 1 to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.



studies indicate that very early responsibility—such as early separation from parents—is often a characteristic of creative scientists. But you can train yourself to be more creative."

At Massachusetts Institute of Technology, a professor has taught a course in creative engineering for which he invented an imaginary world where inhabitants have different kinds of bodies and limbs and sensory apparatus than we have. And he has made

Clifford Siverd of American Cyanamid

Reaching the front rank on a "good set of wheels"

Clifford D. Siverd was the Frank Merriwell of Baltimore's Mt. St. Joseph High School.

He was quarterback of the football team, first string forward on the basketball squad and captain of the tennis team.

Each year, the school awarded medals for Latin, English and all-around scholastic excellence. He usually won all three.

He wrote for the school newspaper, was star of the school play, won an oratorical contest and was class valedictorian.

At Johns Hopkins University, to which he won a scholarship, his career followed an equally scintillating script.

One classmate sums up the "Cliff" Siverd of those days as "just a winner."

Mr. Siverd has been a winner in business, too. He's now president and chief executive officer of American Cyanamid Co., which he runs the way he competes on the golf course—

briskly and with no nonsense. He has the "good set of wheels" he looks for in others—a keen mind, and the ability to make decisions quickly.

At 58, he's still almost as lean as he was when he was a star tennis player at Johns Hopkins.

When Mr. Siverd went to work for Cyanamid, it was a small, struggling chemical company.

Now it is one of the 100 largest U. S. corporations—a member of the select few that ring up more than \$1 billion in sales a year.

Mr. Siverd has contributed materially to that success.

On his way up, he was general manager of one of Cyanamid's largest profit-making divisions: agriculture. While there, he set up Cyanamid's farm supply centers—supermarkets where the company's broad line of farm products could be bought under its own label.

Nearly all competitors paid Cyanamid's farm centers the sincerest

form of flattery—imitation. Later, as a member of the company's executive committee, Mr. Siverd played a major role in shaping its sophisticated, decentralized management system.

In recognition of his talents as a problem-solver, President Nixon recently persuaded him to serve on the new, top-level National Industrial Pollution Control Council.

Here, in an interview with an editor of *NATION'S BUSINESS*, he reflects on his rise to the executive suite of Cyanamid's campus-like corporate headquarters in rustic Wayne, N. J.

I understand you were a pretty fair athlete at St. Joseph's?

Well, I played football, basketball and tennis. But in those days, you didn't have to be a big bruiser to be an athlete.

Weren't you a good scholar, too?

I was a pretty good student. I



Clifford Siverd of American Cyanamid *continued*

worked at it, I think, and I was class valedictorian.

What was the theme of your oration?

Something to do with Knute Rockne. He died a year before I got out of high school. I believe the theme was great men and what you can do when you get out of school—that sort of stuff.

Didn't you win a state-wide scholarship to Johns Hopkins?

Yes, to the chemical engineering school. It was a break, back in those Depression days, because I didn't have any dough at all. I lived in Baltimore, about three blocks from the campus, and I walked to school.

Did you play on some of the teams there?

Yes, but I laid off football. I only weighed 150 pounds, and I was all right as a quarterback, but you took a beating, and that hurt your studies. I played basketball and tennis, and was captain of both teams. But they weren't big sports. Johns Hopkins is

a small, academic college, you know.

Some people think of it as just a medical school.

I got that kind of gump, too, when I was graduated, got a job and came up to New Jersey. I belonged to a country club because they wanted me to play tennis for them. I'd go to the dances and the girls would say: "Where did you go to college?"—the typical girl inquiry.

And I'd say: "Johns Hopkins."

And they'd say: "Oh, you're a doctor."

It always annoyed me because I wasn't a doctor at all. All anybody knew about Johns Hopkins was its medical school.

Why did you choose business as a career?

Just a case of luck, really. In those days, it was hard to get a job. Recruiters weren't swarming over the campus in the Thirties. You just had to try to land anything you could. I had some friends who knew people around New York. So I went up

there and had some interviews in the summer of 1935. By chance, I got a job in Newark at United Color and Pigment Co. Later it was acquired by Cyanamid.

When did you go into military service?

In 1941. I was in ROTC and stayed in the reserves. In May, 1941, seven months before Pearl Harbor, I was called up on a one-year reserve officer pull-in. I got out in February, 1946.

Where did you serve?

In the China-Burma-India theater.

How did you happen to go there?

I was in the grind machine at the Ft. Belvoir training center, turning out enlisted Army engineers every 12 weeks.

I was a platoon commander. And I was the first one to get his platoon to qualify 100 per cent on the rifle range. Usually, somebody would be missing, on sick call. I figured out how to get them out of the hospital and on the line on firing day. I used in-

Can you pick out your Scotch?



"Black & White" Scotch for people

All Scotches shown above were photographed under identical lighting with equal proportions of whisky and ice, using an 8x10 Plaubel camera with 165 mm.

centives—like buying the platoon a keg of beer if everyone made it.

The strait-laced Army guys—why, I could beat them all hollow.

So when they were looking for people to go on a mission—Gen. "Vinegar Joe" Stilwell's mission, it turned out—they called me in. They asked me about languages. I had studied Latin and French in high school, and I was pretty good at both. And I was an honors student in English at college. So I said: "Yes, I am pretty good at languages."

Well, that was too bad, because they put me on a slow boat to China, so to speak, and I spent the next six months listening to records to learn Chinese.

What did you do in China?

I went to Kweilin, got run out by the Nips and went to Kunming. At Kunming, I was an engineering officer for Gen. Thomas Arms—by then I was a major. I was a pretty good bridge player, and Gen. Arms loved the game. Every Sunday afternoon, even out in the Chinese boondocks,

we played bridge. Japanese Zeros would come in and raid the place and we'd rush out and dive into a ditch. Then, when the raid was over, we'd climb out and resume the game.

Gen. Arms was sent down to Myitkyina to help open up the Burma Road to China. One day he sent a telegram to our headquarters at Kunming. It said: "Send Siverd down to Myitkyina," a very hairy place. The Nips were firing at us as our plane landed.

I've always thought that son of a gun wanted me to come down to play bridge.

Any lasting souvenirs of your military service?

Yes, a bad back. In China, we were trying to put a horizontal diesel in place. I was helping. The coolie laborers and a couple of my sergeants slipped and—for six or seven seconds—left me with 2,000 pounds in my hands. It just took my back apart. However, it's a minor problem now, as long as I wear a belt and that kind of stuff. But it ended my tennis.

You went back to United Color and Pigment after the war?

Yes. By then Cyanamid had bought the pigment division.

When did you switch from engineering to sales?

Before the war. I started in the technical end of the chemical business, and I decided it was dullsville. I thought maybe selling would be worthwhile.

I asked for that. I got on the sales force at the very bottom. I was the youngest, lowest salesman, and they gave me all the dogs.

But I liked selling. I also found you could make money a little faster if you were any good at selling, because it was a tangible way of showing your value to the firm. It's still the same way.

So you returned to your old job?

No. The company offered me a job like my old one, but I said: "No, I have had enough experience now, and I've aged a few more years. I believe I can do more for this company in a



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Lessons of Leadership: Clifford Siverd

continued

higher capacity. I want to go up, now."

How big was Cyanamid then?

It was small. It did about \$179 million a year.

How big is it now?

Well, we went over \$1 billion in 1968, and did even better in 1969.

How long did it take Cyanamid to reach the \$1 billion mark?

Sixty-one years, a long time.

How long before you reach the \$2 billion mark?

About eight or nine years, we figure. Sooner, if the economy keeps growing the way it has.

You worked a long time at Cyanamid. What brought you to the attention of the top brass?

I guess you have to weigh each job separately. The way you get promoted is by doing each job well. And then you have to be lucky in big business. I was aggressive, worked hard and had the great luck to be healthy. Health is a very great asset. If you're healthy, you're always Johnny on the spot at the right time.

Also, I had some good sponsorship. You must have people over you who like you, and see that you get the broad experience you need to climb the ladder.

Also, you have to get recognized. You have to make sure your superiors are aware of your accomplishments. You don't fawn over them—I wouldn't. But when you get a chance to present anything to them, that's your opportunity. If you are lucid and intelligent in your presentation, you can show you can do things.

Many times, in this company, I will see a man only once in my whole career. Suppose that one time he freezes up while I'm with him. Later on, my associates bring up his name and say: "He's pretty good."

And I say: "How can you say that? I was with him and he was a dud."

And they say: "He was afraid of you."

And I say: "Well, that's ridiculous. Because if he's as good as you say he is, he's smart enough to know he doesn't get too many chances to get

on my rating sheet. So I'm afraid I'm right."

How do you get recognized?

Performance in marketing is one sure way.

In research, if a fellow develops a new product, somebody wants to know who did it. So his name comes to mind. The next time they say: "We need a man, not a bench man, but a group leader," someone says: "How about Joe Schmo? He developed that great product."

That's how you get recognized. Some people make an extra effort to be recognized. I did when I got a chance to make a presentation before my supervisors. I was pretty good at presenting things.

Can you give an example?

I put together a prospectus for a titanium dioxide plant, and for capital expansions. You had to talk before the Cyanamid bigwigs—and I got what I wanted. I probably had the right projects. If they were duds, it wouldn't have happened.

Do you remember your first appearance before the executive committee?

No, but I do remember one thing very well. I had just been made general manager, back in the Fifties. It was the time when the divisions draw up their budgets. We were talking about projects, and what they'd cost. It was my first meeting with research and development people.

The question came down to whether or not we were going to spend \$1 million. That's a lot of money. I realized it had gotten very quiet in that room. Everybody was looking toward the end of the table. The man at the end of the table was me.

They were looking to me for the decision. I was brand new in the job, and when you're brand new, sometimes you're a little scared. But I made the decision. That night I said to my wife: "You know, that's the first time I ever made a million dollar decision." And it wasn't too tough. I have a somewhat easy time making decisions. That's a break I also have.

What was the \$1 million to be spent for?

I don't even remember.



PHOTO: MARTIN HARRIS

How often do Cyanamid executives go before the top brass?

General managers report at least twice a year to our executive committee. Five men—four executive vice presidents and I—sit on it. General managers go before it in November to sell their budgets for the next year, and then in April or May to present their five-year plans.

How much autonomy do they have?

Quite a bit. They have a whole company to operate. They can hire, fire and advertise. They have their own marketing, research and personnel departments.

But when they come in and say: "I'm going to sell \$100 million worth of goods next year," they have to show us how and at what cost. The main thing we want to know is what they are going to make at the bottom of the line—net after taxes. As long as they make that figure, they have a tremendous amount of autonomy.

If they aren't making it, they have to watch out.

What's the executive committee's role?

We ration out money. General managers can spend \$50,000, maybe \$100,000, on their own. But when they want to get up into the big sugar, they have to see us.

When were you made president of Cyanamid?

In September, 1967. I had been an

Lessons of Leadership: Clifford Siverd

continued



Cyanamid pays for National Scholarships awarded to children of its employees. Here, Mr. Siverd chats with 1969 winners.

operating vice president. I was responsible for two divisions—agricultural and consumer products.

What did you say when you got the news?

I wasn't too keen about it. When I was first approached, I said: "No, don't talk to me. I'm very happy where I am. I make a good bit of money."

They said: "Well, think about it." So I did. And finally I said: "Yes, I will take the job."

What made you decide?

I didn't think I should be president. But I was convinced I could do it. And the more I thought about it, the more I felt the challenge would be interesting.

What kind of challenges does the presidency present that you don't meet as a vice president or general manager?

It's kind of a lonely spot compared to the others. Generally speaking, in other jobs, there's more consorting with other people on your level.

I think the difficulty is that there are certain things only the president can do—although I rely on other people and get their advice.

You mean two heads are better than one?

If they're both smart. That's what you've got to be careful of. When somebody says: "He is a real sharp fellow," then I say: "Who says so?"

So then they say: "Oh, Joe says he's sharp." I say: "Who cares? Joe's not too smart himself."

I weigh people mostly by brainpower. You have to start off being reasonably smart. You can't develop the other abilities without a good set of wheels, as I call it. I always ask that question about a man: "Does he have a good set of wheels?"

What's the biggest problem in management?

Selecting people. If you get good people, you will be a good boss because you can ride along on their ability.

How do you go about selecting them?

We start by recruiting at the good colleges. Then we encourage all our divisions to keep their eye on young people who look like comers so they can train them. We shift them from one division to another, so they can learn the business. And our personnel people keep a list all the time. The vice presidents and the director of personnel sit down one day every two months to review it. Each time, the list is thinned out. Then, when we want an executive, we take the list and ask a lot of questions until we narrow it down to four or five people.

Who picks the top executives?

The executive committee makes all appointments at the assistant general manager level, and up.

That's what I call cracking the

sound barrier. That's the level where the great responsibility, and the biggest financial rewards, start.

What are the most important executive traits?

The ability to think well and sensibly—and being aggressive. By that, I mean you want to get ahead, and you're going to figure out how to do it. Any good executive is aggressive.

Ability to get along with people is extremely important, because you're going to be leading them. You have to have leadership. It's a dominant characteristic in most people who get to the top. They influence others. That's leadership.

Do you set long-term sales and profit goals? If so, what are they?

We set them, but we don't tell what they are.

Did you make any major changes in the way Cyanamid operates after you became president?

No, Jack Allegaert, the man who preceded me, was very good at organization. So were a couple of his predecessors. So I could find very little to improve.

Can one man run a company as big as Cyanamid?

Not without help. We have too many things going on—all over the world. One man can guide. One man can symbolize and project an image. But to run a company, he relies heavily on his associates.



Mr. and Mrs. Clifford D. Siverd were received in a private audience by His Holiness, Pope Paul VI, during a 1968 trip to Rome.

What has given you the greatest satisfaction in your career?

I guess just being successful, just being able to get things done. I like to get things done, and I like to see them come out the way they were planned.

Of course, they don't always do that. They get done—but not always the way you planned.

What was the most important turning point in your life?

One was going into service. Being able to lead people there convinced me I was capable of doing bigger things than I had once imagined. So I came out and did them.

What was your best decision?

Probably staying with Cyanamid when I was offered more money by other companies. Right after the war, they were looking for people. I remember one specifically. I was offered maybe \$4,000 or \$5,000 more and a better title. But luckily, I said "No." If I had moved, you never know how it would have turned out. You can get lost in the shuffle. You've got to make new friends, convince new people. It's hard.

It's harder than when you are known a little bit—even if you're down the line.

What was your worst decision?

Well, every Christmas I send a gift of one of our products, preferably a new one, to a small list of close friends. One Christmas, I sent them a

package that included Breck hair conditioner, a new product we're very happy about at Cyanamid. One of the friends on my list was the head of a large company.

Later, I ran into him and the first thing he said was: "Doggone it, why did you send me that Breck shampoo?" It was only then that I stopped to think that he is as bald as a billiard ball.

Who had the deepest influence on you?

Many men helped me a lot. But I guess Jack Allegaert had the most influence. He hired me at United Color and Pigment when I came out of college. Later, when its pigment division was sold to Cyanamid, he went with it. So Cyanamid got two presidents out of this one little company.

Allegaert was a real smart fellow. He taught me the value of a dollar and how to make money. He ran a tight ship and kept people up to the mark.

He was one of the toughest managers we ever had, and he trained a lot of people. They learned the value of good management—like not having too many people around.

Is that still true of Cyanamid?

Yes, it is. That's one of our benefits when a downturn comes. I read of a guy who runs a company saying: "Oh, a downturn. I'm going to cut personnel." Well, if he runs a good business, he shouldn't have to. He

should be cut as close as he can all the time.

Do you have any rules for success you'd suggest to a young man starting out on his career?

I'd say work hard at the job you have, because that job is going to create the next promotion. I never did look ahead and say: "I'm going to worry about the next job." I figured that if I did the present job well, the next job would come along.

Do you have any hobbies?

Yes, I guess business is my biggest hobby. Outside of that, when I get a chance, I like to play golf. One of my favorite spots is Dorado Beach in Puerto Rico. I usually go there for a few weeks in February.

I understand you play a hot game of gin rummy?

I play a better game of bridge. But this company plays a lot of gin rummy. I don't know why. We get on an airplane, and immediately start playing gin. It's a fast game and you have to be awfully lucky. I'd rather be lucky in gin rummy than good. END

REPRINTS of "Lessons of Leadership: Part LXI—Clifford Siverd of American Cyanamid" may be obtained from *Nation's Business*, 1615 H St. N. W., Washington, D. C. 20006. Price: 1 to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.

The Supreme Court Already Has Changed



Mr. Justice Harlan *Mr. Justice Stewart*

Mr. Justice Brennan

Mr. Justice White

Mr. Justice Douglas

Chief Justice Burger

Mr. Justice Black

Mr. Justice Marshall

Mr. Justice Blackmun

DRAWING: JOHN WEINLY

Businessmen may find clues to the future in what our highest tribunal has been up to since Warren Burger became Chief Justice

Richard Nixon's influence on the highest court in the land is beginning to become apparent.

The President has not taken over the Supreme Court. But he has lent to it a new tone and temper that is affecting business issues no less than civil rights and criminal law matters.

Mr. Nixon vowed to "balance" the Supreme Court by appointing "strict constructionists" who believe in judicial restraint. He has stuck with his promise, despite the furor raised by some liberals in the Senate.

The liberals did not stop Senate confirmation of Warren E. Burger to succeed Earl Warren as Chief Justice.

They did block confirmation of Clement F. Haynsworth Jr. to fill the vacancy left by the resignation of Justice Abe Fortas, so Mr. Nixon nominated G. Harrold Carswell—who, philosophically, was almost a carbon copy of Judge Haynsworth. When that confirmation, too, was blocked, Mr. Nixon stuck to his guns and named another judicial conservative, Harry A. Blackmun, who is personally and philosophically close to Justice Burger.

The President selected each of his nominees from lower federal courts, where they have written their judicial records, and there can be no question that they are in agreement with him on the issue of judicial activism vs. judicial restraint.

It is not always easy to apply such rather vague judicial concepts as activism and restraint to the controversies that come before the Supreme Court.

But it seems quite safe to forecast that, in cases where the law is well settled, by act of Congress or by the Court's own previous interpretations of the Constitution, the new Supreme Court will not engage in wholesale reversals of prior decisions. On those many issues where Congressional intent is not so clear or where constitutional meaning is open to reasonable doubt, the Court is likely to rule narrowly and allow the Legislative and Executive branches to decide the big policy issues. In the process, though, it may reverse or at least water down some of its earlier decisions.

For business, all this is likely to

mean that the Court will not expand federal antitrust laws as the Warren Court did, but will more often defer to Congress. It probably will not stretch labor law, securities regulation and other federal regulatory programs to ever greater lengths. It will uphold the decisions of the federal regulatory agencies, where the agencies clearly are acting within the powers granted them by Congress, because the agencies constitutionally are arms of Congress.

More than meets the eye

Though President Nixon has not yet brought the Court down decisively on the side of judicial restraint—change will become decisive when he is able to replace one or two more of the aging and ailing liberal activists on the Court—there is more balance even now than meets the casual eye.

The long bench with its nine black leather chairs was not totally out of balance during the Warren Court era. John M. Harlan and Potter Stewart, both appointees of President Eisenhower, are conservatives who frequently dissented from decisions of the Warren Court majority.

Four advocates of judicial restraint still do not constitute a majority but, even before a fifth and decisive Nixon appointee arrives, the strict constructionists may be able to attract other Justices to their side on some cases. Not all the other Justices are activists on all issues.

In this situation, Justice Burger may sometimes exert a decisive influence. Any Chief Justice is more equal than his eight brothers, even though he has but one vote. He presides in the conference room to which the Justices retire to debate and decide cases, after they have heard oral argument and the other formalities are over.

He speaks first and therefore has the first opportunity to win over any Justices who have not come to a final decision on how to vote. All know that if the Chief Justice is in the majority, he can write the Court's opinion or name the Justice who will write it.

Justice Burger already has spoken for a majority on several important

business issues. Whether he had to use his powers of persuasion to collect a majority is not known, since no one outside the Court can do more than guess what goes on in the closely guarded conference room.

He wrote the Court's opinion in a case involving the right of national banks to build "receptacles" in shopping centers where customers could leave deposits and pick up cash.

Banking laws written by Congress long have prohibited national banks from operating branch offices except under the terms that states set for state-chartered banks which want branches. The Burger opinion held that national banks cannot operate receptacles in states where such facilities are denied to state banks.

Justice Burger did not say shopping center receptacles are undesirable. He said, in effect, that if national banks are to be allowed even this modest form of branch facility, Congress rather than the Supreme Court should change the law.

Vast rail merger

The Chief Justice was in command of a majority in an even more important business case when he wrote the Court's opinion approving the vast Northern Lines railroad merger.

The Great Northern and Northern Pacific railways, together with their subsidiaries, had tried unsuccessfully to merge three times since 1896. They began their fourth attempt in 1961 and the Interstate Commerce Commission approved the merger in 1967. The Justice Department's antitrust division appealed the ICC decision all the way to the Supreme Court.

The Burger opinion, handed down last Feb. 2, upheld the ICC on grounds that the merger would mean improved rail service for the public and that the ICC—not the antitrust division—was created by Congress to be the expert on railroad regulation.

The decision did not mark any drastic departure from the Warren Court's rulings in railroad merger cases. But it was significant, because of the unprecedented size and nature of the merger and its past history of failure.

The Burger opinion in the North-

The Supreme Court Already Has Changed *continued*

ern Lines case does not mean the Burger Court will be a rubber stamp for everything the federal regulatory agencies do. Not judging by Justice Burger's past.

In 1966, when he was on the U. S. Court of Appeals for the District of Columbia, he wrote an opinion which said that unfairness or overreaching by a government agency is to be met with stern rebuke.

The Federal Communications Commission had refused to allow a group of television viewers, represented by the United Church of Christ, to participate in a proceeding concerning renewal of a Mississippi TV station's license. The Commission ruled that viewers have no standing to challenge a license and then, without holding a public hearing, gave the station a limited renewal. Judge Burger ordered the FCC to hold a hearing and allow the TV viewers to have their say.

At the Supreme Court, there have been decisions on other important business cases in which the Chief Justice's role has been less clear than his positions on the Northern Lines and branch banking issues.

He voted with the majority but did not voice his own feelings by writing opinions.

One such case grew out of the 1963 merger of Electric Autolite Co. and Mergenthaler Linotype Co. The Supreme Court ruled that Autolite minority stockholders could sue without having to prove first that Autolite proxy material changed the outcome of a shareowner vote on the merger. But the victory was procedural and the Court's opinion was inconclusive concerning the remedy, if any, to which the stockholders might be entitled.

One dissenting voice

The Court's strict constructionists, of course, haven't won them all since Chief Justice Burger arrived. So far as the Court's future is concerned, what they have had to say in dissent may be just as significant as the Chief Justice's words spoken in those cases when he has commanded a majority.

Increasingly, it seems, the strict constructionists—Justices Burger, Harlan and Stewart—are sticking to-

gether in dissent and speaking with one voice.

In one such recent case, the dissenting opinion was written by Justice Stewart and joined in by the Chief Justice and Justice Harlan. The question, again a procedural one, was whether corporate stockholders, bringing a derivative damage suit for the benefit of their corporation, are entitled to a trial by jury.

The suit had been brought by certain stockholders of Lehman Corp., a large closed-end investment company, against Lehman Brothers, the securities concern that is Lehman Corp.'s investment adviser and principal broker. The suit claimed damages for Lehman Corp. on the ground, among others, that Lehman Brothers had not always executed securities transactions for Lehman Corp. at the best possible prices.

The majority opinion, by Justice White, held that the stockholders were entitled to a jury trial.

The dissenting opinion asserted that the majority opinion "tosses aside history, logic and over 100 years of firm precedent to hold that the plaintiff in a stockholder's derivative suit does have a constitutional right to a trial by jury."

The Supreme Court has declined to review a major antitrust case since Chief Justice Burger's arrival.

Merger with conglomerate

Justice Burger's position, if any, or that any other individual Justice took in the case isn't known. The Supreme Court does not normally disclose how individual Justices vote on petitions for review.

All that is known is that at least four affirmative votes are necessary for the Court to accept review of any case, and that there were not four votes this time.

The case was a private antitrust suit brought by Allis-Chalmers Manufacturing Co. against White Consolidated Industries, Inc., a large conglomerate. Allis-Chalmers sued to prevent its being taken over by White, charging the take-over would violate the Clayton Antitrust Act.

The suit had not yet been tried on its merits in a federal district court and the question before the Supreme

Court was limited to whether Allis-Chalmers should be granted a preliminary injunction to prevent the take-over, pending trial. The U. S. Third Circuit Court of Appeals in Philadelphia approved the Allis-Chalmers request.

The Supreme Court's action in allowing the Third Circuit's word to be final was important to the entire issue of the legality of large conglomerate mergers.

It did not by any means dispose of the ultimate question of whether conglomerate mergers can be held illegal under the existing Clayton Act. That will not be answered finally until the Court accepts review of some private or government case.

But the preliminary injunction issue in the Allis-Chalmers case was the closest the Supreme Court yet has come to that ultimate question.

By denying review, the Court left standing the Third Circuit's determination that the Clayton Act probably *does* apply to large conglomerate mergers.

The Justice Department has brought five leading suits of its own challenging other large conglomerate mergers on the ground that they injure potential competition or for other reasons violate the Clayton Act. None of the Department's suits has yet been decided on its merits in federal district courts.

At least two district courts have denied the Department's requests for preliminary injunctions, ruling that the Clayton Act probably *does not* apply to conglomerate mergers. The Department did not appeal those denials to the Supreme Court.

The big question stems from the fact that the Clayton Act speaks of actual and potential competition and monopoly, and traditionally has been held to apply to proposed mergers of companies that are competitors or in closely related lines of business. It has not been used the way the Justice Department and Allis-Chalmers now are trying to use it—to prevent large conglomerate mergers of companies in different lines of business.

In all likelihood, the Supreme Court will decide the big question by accepting review of the Allis-Chalmers case or one of the Justice De-

partment cases, after decision on the merits in a lower court. The Court's verdict could come in 1971 or 1972, and then the business world will know what strict constructionism means, as applied to antitrust law.

Labor law

The new Supreme Court has decided some labor cases, but not enough yet to signal any new trends in the legalisms of labor-management relations.

The Court decided, over the dissent of the Chief Justice and Justices Harlan and Douglas, that a lower court acted incorrectly in penalizing the National Labor Relations Board for dragging its feet. The lower court said that, because the Board delayed for some years a case involving back-pay claims, the employer did not have to make as large a payment to former employees as the NLRB had required.

By denying review in another labor case, the Supreme Court left standing an NLRB ruling that curtailed an employer's right to change unilaterally the terms of a Christmas bonus traditionally given to employees. And in denying review in another case, the Court upheld an NLRB decision that employer discrimination against Negroes violates collective bargaining obligations.

None of the labor cases, however, was of great significance. The big labor issue will come when the Court is asked to rule on constitutionality of the Labor Department's so-called Philadelphia Plan to require contractors on federally assisted building projects to hire more Negro workers.

Other major cases and controversies are waiting, too.

The Court already has agreed to decide how much Penn Central Railroad is to pay for the properties of the bankrupt New York, New Haven & Hartford Railroad. It will rule on whether the coastal states from Maine to Florida can collect royalties from oil companies that build offshore drilling platforms near their beaches.

Further down the road are a host of other big cases spanning the legal spectrum from taxation and pollution to the rising costs of welfare and the complexities of black capitalism.

END

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The Kids Our High Schools Forget

Youngsters who aren't college-bound get second-class treatment in many a secondary school, says U. S. Commissioner of Education James E. Allen; to give these future workers a better break, he urges an upgrading of vocational education



More than half of the nation's high school graduates do not go to college, but high schools primarily are oriented toward preparing students for college.

What are they doing for the student who plans to go to work?

James E. Allen, U.S. Commissioner of Education, says they can do a lot more in the field of vocational education. But he feels that it's going to take some rethinking—by educators and communities—to get rid of the notion that vocational education is second-class education.

In an interview with an editor of *NATION'S BUSINESS*, he tells why he feels it is vital that vocational education be given new status—and how he thinks the upgrading should be done.

Commissioner Allen, just what is the situation on vocational education at this point?

This Administration places a high priority on vocational education. We have to put more emphasis on vocational education programs in the schools as contrasted to the Job Corps and other programs designed to train and retrain unemployed or underemployed people who are out of school.

Those programs are important. But we are spending four dollars to retrain and train people who are unemployed or who are school dropouts

for every dollar we spend in school on vocational education. So I am hoping we can begin to correct that imbalance and put more money into job training for youngsters who are still in school.

What else needs to be done?

Communities and the states need more coordination with the Labor Department people—those who are concerned with the manpower pool—and with the educational authorities to develop a comprehensive approach to vocational education, rather than going at it in two different ways: through the schools and outside them.

Vocational education in the schools has tended to be isolated from the concerns of business and labor and those who have to deal with the retraining of people outside school.

Vocational education also needs to be more closely geared to new careers. Too much of the vocational education program is training people for the same old jobs, which in many cases are beginning to die out. We need to think in terms of new careers in the paraprofessional and service fields.

Such as medicine?

Right. The health field. And the whole world of computers has developed all sorts of new career opportu-

nities that haven't yet been fed into the curriculum sufficiently. Things of that sort.

There has been some criticism that high schools concentrate on steering students into college, and that those pupils who don't want to go but do have a mechanical-technical bent are left out. Do you subscribe to that?

I think this is true. The public school system by and large has been geared to preparing people for college or general education. Those who are not going to college—and that is at least half of our high school graduates—are neglected in many school systems. Consequently, parents, the community, the school, all look upon vocational education as a lower-status kind of education.

This needs to be corrected—by the educator's making it clear that he considers vocational education just as important as advanced liberal arts education.

And we need to change federal policy so that it places vocational education in the schools on a par with training for those who are unemployed or are dropouts.

How does the present policy work?

As a matter of fact, the way the federal policy operates, it encourages communities or school systems to let students who do not want to go to college drop out.

To say, in effect, "We'll let the Job Corps and various other kinds of out-of-school training programs that are fully federally financed pick up the tab for these students or these dropouts."

That needs to be corrected by seeing to it that the federal government pays to the school system the extra cost in full of vocational education. This would encourage the schools financially to keep the boy or girl in school.

There is no question that the present system—and indeed the general attitude in the country—has encouraged us to think of vocational education as something for those who can't succeed otherwise.

What role can businessmen play?

The business community and the schools need to work more closely together. The school systems ought to consult more with business about its needs, and what kind of training it feels the schools can do as against that which business itself will do.

Cooperative work programs, work study programs, can be developed between school and industry more than is presently the case. Here again, we must begin to think of the school as something beyond the four walls of the schoolhouse.

We tend to think of school largely as a 9 a.m. to 3 p.m. enterprise, instead of thinking of it in terms of the entire environment and of using the community and all its resources more for education.

My office is trying to encourage a change.

The "Parkway Program" in Philadelphia is a move in this direction. They have set up a project known as "the school without walls," in which students may study part of the time in a traditional schoolhouse, but much of the time are working in business enterprise, in hospitals, in welfare organizations, in the offices of professional people. They are getting real experience, relating their education to the real life in which they live, or in which they are going to live when they graduate.

Unemployment is much higher among minority group youths than in any other group. How does vocational education relate to them? Can it keep them from dropping out of school, or get them back in?

It can be a big factor in keeping them from dropping out if the vocational education is meaningfully directed toward careers for them.

This requires a close working relationship between the school and the business, industry, or profession the student is interested in.

Vocational education that is clearly related to careers which students recognize as important, and ones which they can qualify for, can have a big

influence in keeping them in school and lowering the dropout rate.

You have talked about a "Right to Read" program. Is that a factor in vocational education?

Some 25 million employed people are handicapped in advancing in their fields of employment because of deficiencies in reading. Most jobs today require a minimum of reading skill. And without that skill, these people are kept down to jobs that don't require much reading, and they can't advance. So competency in reading is a part of becoming competent in vocational education.

What is this reading program?

I have issued a challenge to the educational community to see to it that reading is well taught, that no boy or girl leaves school without having acquired the skills and the desire to read, because so much of the educational opportunity for the young person depends upon his ability to read.

How will you go about seeing that the challenge is met?

We are going to make this a target for the 70's and try to marshal the nation's resources to help the states and localities see to it that every boy or girl learns to read.

There are two things I want to stress here. We can no longer go along just putting more money into the same kinds of programs and tolerating the heavy dropout rate we now have. So I would like to see us emphasize competency. And I use that word in terms of reading and in terms of vocational skills.

No boy or girl should graduate from high school, for example, without being qualified to go on to higher education at an institution of his or her choice, or sufficiently competent to get a job that has promise for the future, that puts him or her on a career ladder.

In vocational education, do schools need the same kind of guidance and testing procedure to determine into what technical area a student should

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The Kids Our High Schools Forget

continued

go as they have now for collegiate areas? Are they set up for that?

To a considerable degree there is good guidance in the vocational field. But the tendency among guidance people in many of our large schools is to help those who are college-bound to select an institution and determine what curriculum to take, and the like, while not giving enough attention to those who are not going on to college.

It is more difficult to guide students for positions in industry, because this requires a great deal of knowledge about employment opportunities and the needs of industry and business, and also knowledge about what kind of additional training the student ought to have in school so he can take advantage of these employment opportunities.

Do we have the personnel in vocational education—the teachers, the guidance counselors?

We have funds for training and re-training people in these fields. But there is a shortage of well qualified people. We are trying to correct this.

Then the upgrading of vocational education would require an investment by government at all levels?

That is right.

What returns could government expect on that investment?

I think there would be higher income for those trained, which would mean that the employees would be paying their share of taxes; in other words, returning to the government a large part of the investment that the government makes in vocational education.

The amount of money required for training dropouts, or for welfare for dropouts, would tend to be reduced.

Also, the cost of crime would be lower, because youngsters prepared to work at jobs and qualified to hold them are going to be less apt to get into trouble. It usually is those who are unemployed or underemployed who tend to get into trouble.

An investment in vocational education would yield a large return to society. **END**

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The Investor's Silent Partner

Stockholders profit from activities of the SEC, that Wall Street watchdog

Last February, a federal judge in New York ordered four men to forfeit \$148,000 in illegal stock profits. The decision made headlines, for it was the climax to a historic case which gave conclusive recognition to the principle that corporate officials cannot personally profit from "inside" information.

In April, 1964, the Texas Gulf Sulphur Co. had announced an enormous discovery of zinc, copper and silver ore in Ontario. For five months prior to the public announcement, a number of key company employees and officials, who had private knowledge of the bonanza, bought Texas Gulf stock in anticipation of a sharp price rise after the big news was released. They made substantial profits on later sale of their stock, but they did not reckon with the Securities and Exchange Commission.

After an investigation, the SEC filed suit charging that the "insiders" had enjoyed an unfair advantage over the unknowing public; that in effect they had perpetrated a "fraud on the

market." The litigation was prolonged, but in the end the SEC won. The profits the "insiders" were compelled to give up will be held in a special account, available to help meet claims of shareholders who had sold stock in ignorance of the hidden treasure in Canada.

In the 36 years of its existence, the SEC has developed a massive framework of protection for the average investor. But however strenuous its efforts, in the end it will never be able to provide an absolutely foolproof security system. Its burden of work has never been greater than today, as the volume of new stock issues keeps mounting and as ever-increasing numbers of Americans invest in the market (14 million new stockholders in the past decade).

Week after week, the SEC takes action to curb practices it finds deceptive. Consider these recent examples:

- A few months ago, it cracked down on a New Jersey company called Soundesign for improperly trying to halt the decline in the price of its

stock. For more than a month, Soundesign had been slipping on the American Stock Exchange. Early in February, it dropped from \$16.50 a share to \$13.25 in just two days—with every dollar's decline involving sizable personal losses to the company's officers and directors, who together owned 680,000 shares.

Then came further bad news. A Massachusetts broker informed the company that a large client was about to "dump" 100,000 shares, which could be purchased at \$10 per share. If there was no buyer at \$10, it was obvious that the price could be further depressed.

Soundesign, without making any public announcement as required by SEC regulation, bought 80,000 of the 100,000 shares at \$10 each.

Getting wind of the deal from the stock exchange, the SEC hastened into federal court in New York, charging the company with trying to manipulate its stock price and asking for a permanent injunction.

The company agreed to the injunction, although without admitting to the allegations. Its action was like pleading "no defense" in a criminal case and its justification, quite common in such circumstances, was that it wanted to avoid costly litigation.

The injunction was far more than a slap on the wrist. Any repetition of the offense could lead to a contempt of court citation and severe penalties, including jail terms for Soundesign's officers.

- Through various deceptive sales—executed in the names of two foreign banks in order to conceal his identity—an employee of a New York brokerage house contrived to force down the price of Mary Carter Paint, Inc., stock. In an hour and a half before the close of the market, the stock fell from \$29.25 to \$27.375.

The purpose of the forced decline, the SEC later charged, was to frighten a large stockholder into selling a block of 350,000 shares at \$25 per share to the brokerage house's customers, who would then be getting a bargain. Without admitting the allegation, the sales-

man admitted to the finding. The SEC then barred the salesman from further employment with any broker-dealer.

- VTR, a diversified corporation in electrical products, publishing and other fields, acquired a firm called Prestige, which produces factory-built homes. Last November, at a well-publicized press conference in Washington, an officer of Prestige held forth about the company's glowing business prospects. After the news stories appeared, VTR's stock quickly jumped from \$22 to \$30 a share.

But there was a catch. The SEC decided Prestige's claims were wildly exaggerated. For example, the SEC said, it had no firm contracts to sell its homes to several municipalities as it had boasted, it had overstated its manufacturing capacity, and its future plant expansion was only a dream. The SEC got a court injunction to prevent such conduct in the future.

The company consented, without making any admissions.

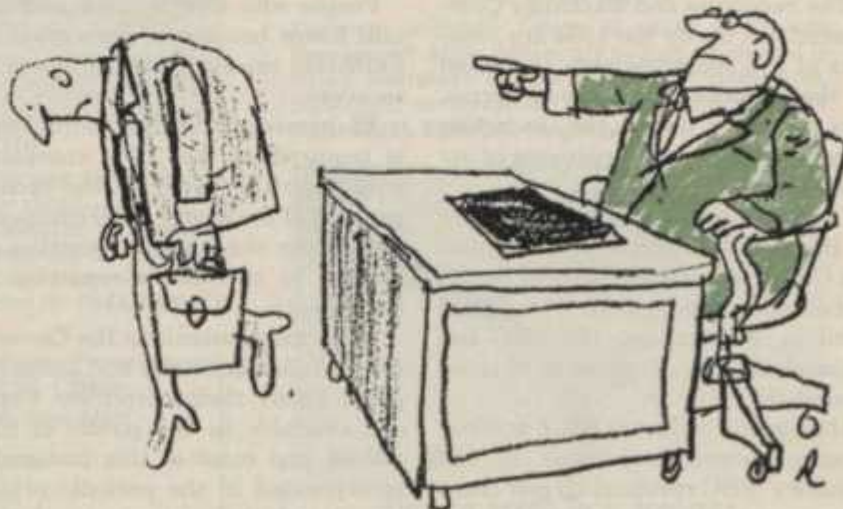
The old days

Before the federal securities laws of 1933 and 1934, the American investor had little protection against the unscrupulous stock promoter and market manipulator and fell frequent victim to an incredible range of deceptive practices. Wall Street was not precisely a concrete jungle, but it was full of booby traps for the unwary.

A favored device of the 1920's and early 30's was the "pool" operation. A group of well-heeled speculators would put together a considerable sum of money, quietly buy a large block of stock, and then generate synthetic market activity to push up the stock's price.

Upward pressure was exerted in a number of ways: by executing near-simultaneous buying and selling orders in different names through differ-

CARTOON BY RALPH ROBINSON



The SEC, after formal hearings, can suspend broker-dealers, expel them from the exchanges, or bar employment of specific individuals.

The Investor's Silent Partner *continued*

ent brokers, by circulating rumors or by planting favorable news items about the company involved. This sort of thing would attract outsiders, who in the end might bid up the price in a speculative frenzy. When the price got high enough, the pool would "pull the plug" and begin to sell off its shares. The price would then sink. Pool members would walk away with a huge profit—often in the millions—and gullible outsiders would take the loss.

In a celebrated pool operation, Radio Corp. of America stock was bid up from \$90 to \$109 in about a week in 1929. The plug was then pulled and the stock soon fell to \$87. Meantime, the participants in the pool had made nearly \$5 million.

And it was all perfectly legal. In 1929, no fewer than 109 stocks on the New York Stock Exchange were manipulated by pool operations.

The stock market crash of 1929, and the great depression which followed, brought a clamor for reform. The Securities Act of 1933, and the Securities Exchange Act of 1934, wrought a transformation in Wall Street and provided the American investor with a degree of protection unknown elsewhere in the world.

Over the years, other legislation followed, including the Investment Company Act of 1940, which provided for regulation of mutual funds.

The Securities and Exchange Commission, set up by the 1934 law, consists of five commissioners appointed by the President for five-year terms, plus a staff of over 1,400, including some 400 lawyers and platoons of accountants and analysts.

Current chairman is Judge Hamer H. Budge of Idaho, a former Republican Congressman who has been on the Commission since 1964. Headquartered in Washington, the SEC has regional and branch offices in 16 cities around the country.

Its current budget is \$21.6 million, most of which it returns to the Treasury. SEC revenues largely come from registration fees paid by the stock exchanges, and from filing fees paid by companies issuing new securities. In fiscal 1969, the SEC took in 18 per cent more than it spent.

The securities laws are complicated, but their basic thrust is to protect the

investor by enforcing fair trading and by requiring full disclosure of the affairs of publicly owned corporations. On the markets, there is a flat prohibition of manipulative practices—such as pool operations—which interfere with the free play of supply and demand.

There is a large measure of self-regulation by the stock exchanges, subject to SEC surveillance.

Telling it all

Every facet of corporate activity is covered by the disclosure laws. New stock issues, for example, must be registered with the Commission before they can be legally sold. For issues of over \$300,000 in value, a detailed prospectus must be filed, providing a full description of the business, its history, properties and financial structure, plus certified balance sheets and profit-and-loss statements for past years.

This vast assemblage of material, designed to give the would-be purchaser a clear idea of what he is buying, is carefully scrutinized by the SEC staff before sale of the security is authorized. If holes or inconsistencies are spotted, additional facts are called for.

Fraudulent or wilfully misleading statements that escape the SEC's sieve can result in heavy penalties later.

People who buy a stock and sustain losses because of inaccurate information are also entitled to sue for recovery.

Elaborate and continuous disclosure is required of the 2,764 companies with securities listed on the exchanges, and of the nearly 4,000 companies whose over-the-counter securities are subject to the SEC's reporting requirements.

They must submit to the Commission detailed quarterly and annual reports about their activities. Copies are available to the public at SEC offices, and most of this material is incorporated in the periodic printed reports which companies send their stockholders.

The law also requires that before annual meetings, stockholders must be furnished with proxy statements fully setting forth all matters on which their votes are solicited. If

there is a proxy battle for control of the corporation, the identity and interests of all participants have to be disclosed.

The SEC's weapons

In enforcing the law, the SEC has a wide range of sanctions. It can apply to the federal courts for a civil injunction to prohibit illegal acts or, in a flagrant case, can refer the matter to the Justice Department for criminal prosecution. Penalties can be fines of up to \$10,000 and jail terms of up to two years.

Administrative action by the SEC is another option. A formal hearing is held, with submission of evidence and cross-examination by both sides. The Commission can then issue orders censuring broker-dealers, suspending or expelling them from the exchanges, or barring employment of specific individuals in the industry.

In fiscal 1969, 102 employees of broker-dealers received some form of administrative penalty, as did 59 firms. Criminal convictions are less common, but they have totaled 2,250 in the 36-year period since the SEC was founded.

Much of the SEC's enforcement work involves market surveillance.

Experts in the Division of Trading and Markets are continually on the lookout for sharp price movements or sudden surges in volume in particular stocks which cannot be explained in terms of known developments. In addition, they closely follow the financial press and monitor corporate news releases to spot flamboyant publicity and stock touting—or indeed any unusual event that seems to call for a few questions.

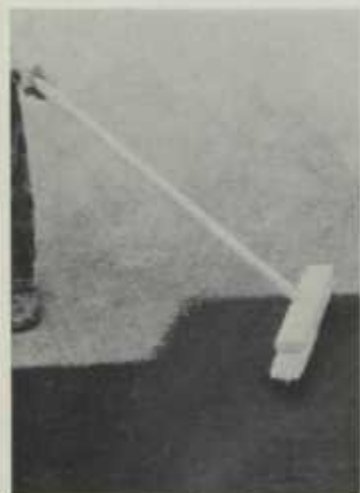
For example, the SEC became interested in Texas Gulf Sulphur stock when a young woman in the market surveillance section thought something was odd about two contradictory press releases issued by the company.

The first, on April 12, 1964, minimized the importance of the company's exploratory drilling operations in Ontario, characterizing rumors of a big mineral strike as "premature and possibly misleading." The second, four days later, announced a "major discovery." The young woman called the discrepancy to the attention of her



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The Investor's Silent Partner *continued*

superior, and an investigation was launched.

The advent of the computer has made it possible for the SEC to keep a close daily check on the over-the-counter market, in which broker-dealers trade thousands of securities unlisted on the stock exchanges. The computer is so programed that it will flag any stock whose price fluctuations are greater than certain predetermined tolerances, and it also will provide the name of every broker-dealer who has been quoting the stock.

Cracking the "shells"

The computer has been of great assistance in the SEC's current drive against "shell" corporations—dormant corporations with meager or nonexistent assets but with a large number of shares outstanding.

In a typical shell operation, a group of promoters will buy up the shares for a pittance, exchange some of them for new assets of dubious value, issue misleading promotional material about the new assets and the company's plans, and then peddle the

stock, without registering it, to gullible investors. Before long, a trading market will develop and a stock which the promoters had bought for two or three cents a share will be bid up to 75 cents or \$1 or more before the bubble bursts.

The SEC's standard procedure, once it suspects a new shell game, is to suspend trading in the security. It then warns brokers that when trading resumes they should exercise caution in handling the stock lest they violate the law against selling unregistered securities. This allows a broker to buy back ("to eat," in trade parlance) shares which he has sold to his customers.

During the past year, the SEC has suspended the trading in more than 20 shell corporations.

The SEC also goes to bat for the small investor who has trouble with his stockbroker. The Division of Trading and Markets has a special staff of eight to process complaints. A total of 14,211 complaint letters were received in 1969, up from 2,500 in 1965. They involved a whole gamut of

grievances—customer accounts all fouled up; inability to get delivery of stock certificates or funds from a broker; difficulty in obtaining payment of dividends; problems in having a margin account transferred from one broker to another.

No complaint goes unanswered, and in most instances a letter of inquiry is sent to the broker concerned. It gets action, for a brokerage house employee has to be very dim indeed not to be aware of the power of the SEC.

In 36 years, the SEC has developed a massive framework of protection for the average investor, but it cannot provide a foolproof system. The investor must exercise some prudence on his own behalf.

To help him, the SEC has suggested a few rules of caution. Among them:

"Don't deal with strange securities firms. Don't listen to high-pressure sales talk. Beware of promises of spectacular profits. Be sure you understand the risks of loss. Don't buy on tips and rumors. *Get the facts.*"

—IRWIN ROSS

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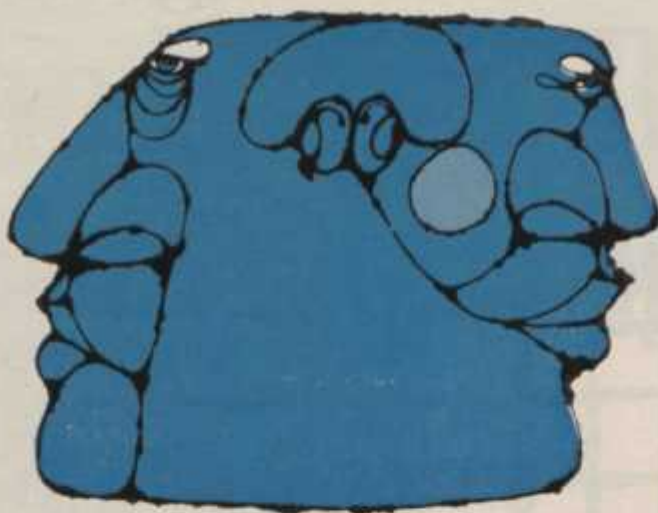
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How to Be a Tough Nice Guy



If business executives could eavesdrop on coffee break conversations, they'd often hear remarks like these:

- "Hundley is too tough with his men; people don't like to work for him. His demands are completely unreasonable. He's the kind of guy who brightens up a room just by leaving."
- "Jamison is one tough boss. He's demanding, and he's stubborn, but as far as I'm concerned, he's the best man I've ever worked for."

When two managers employ similar management techniques and seem to have comparable management abilities, why is one considered unreasonable while the other is regarded as a great boss?

The secret is in learning to be a "tough nice guy."

A man we'll call Tom Richardson is one. Tom is the warehouse manager of a storage company in the Midwest. Recently, one of his most reliable employees made a colossal mistake that nearly lost the firm an important customer.

As a result, all of the warehouse employees had to spend several hours of overtime to straighten out the situation and send on its way merchandise which had been delayed.

How did Tom react? He could have stormed through the warehouse, criticizing the man for his mistake and or-

dering everyone else to "get things straightened out right now." This could have solved Tom's immediate problem, but he probably would have created an obstacle between him and his men which would have cooled all their future relationships.

Instead, Tom handled his men with tact and understanding.

Calling the wrongdoer into his private office, Tom pointed out the mistake, expressed his disappointment and dissatisfaction, and made it quite plain that errors like this could not be tolerated. He then instructed the warehouse staff to spend the time necessary to get the mistake corrected.

Then he took one last action. After the warehouse doors were closed that evening, Tom worked side by side with his men to straighten out the situation.

Of course, he didn't have to work the extra hours to make up for the mistake. But how it paid off! Now Tom has a key man in his warehouse who will support him to the last breath.

Executives constantly endeavor to surround themselves with such key men, men upon whom they can rely. Seldom do they realize that the best way to do this is through actions which identify them as "tough, but fair."

Most managers and executives are aggressive, strong-willed people. That's one of the main reasons why

they are in management positions. However, sometimes they don't realize that being an effective manager involves much more than the ability to be personally productive.

It also involves delegating responsibility and motivating employees to make maximum use of their abilities. Rather than doing the work of 10 men, the effective executive assigns 10 capable men to do the work.

Then, to keep them satisfied and well-adjusted, he must lead them without becoming inflexible and impersonal in his demands.

The best way to obtain the maximum productiveness from employees is, very simply, to treat them like people: Accord them respect, courtesy and dignity.

At the same time, an effective executive must have the courage to use discipline when a situation demands it.

Whenever possible, executives should try to view every situation from the standpoint of their employees.

However, it should be made explicitly clear that the moment they begin taking advantage—not of their supervisor, but of his trust in them—they are, in effect firing themselves.

Some managers never learn that it is sometimes necessary to be tough. But even more could profit by recognizing that it is no sign of weakness to temper one's toughness; it's a sign of true strength. **END**

CHARLES BISBEE, author of this article, is president of International Marketing Corp.

Several months ago we said....



It's time someone told the N.L.R.B. times have changed.

....now someone has.

A United States Senate Subcommittee recently completed a 20 month study of the National Labor Relations Board. Their official Report concludes that the N.L.R.B. has used "double standards" in applying national labor laws to labor and management.

Specifically, the Subcommittee's Report charges that the N.L.R.B. has
reduced the rights of American
employees,
distorted the purposes of the law,
over-reacted to political interests,
functioned with a strong, pro-union
prejudice.

We've been saying this right along. But
it's nice to hear it from another voice.
Particularly, one in Congress.

As a businessman affected by what the
N.L.R.B. does, you should read the official
Report.* Then you may want to add your
voice to the Subcommittee's... and ours
... in a strong call for labor law reform.
It's time, you know.

A CONGRESSIONAL COMMITTEE
SPEAKS OUT on the NATIONAL LABOR
RELATIONS BOARD. 1 to 9 copies, \$1.00
each; 10 to 99 copies, 80 cents each; 100 or
more copies, 70 cents each.

Chamber of Commerce of the United States
Washington, D.C. 20003

BUSINESS | A LOOK AHEAD

AGRICULTURE

New evidence is surfacing to demonstrate that national farm policy is failing to preserve the small farm while curbing overproduction.

An Agriculture Department study shows that the number of farms with sales of \$100,000 or more increased from just under 20,000 in 1959 to more than 30,000 in 1964 (the latest year for which relevant figures are available).

And there are estimates that the number reached 40,000 last year.

Use of high-cost equipment, which makes

big-time agriculture possible with little increase in manpower, is a major part of the explanation.

The Agriculture Department reports that "large-scale farming has still not extensively penetrated the organization of our farm production."

Nevertheless, it adds, "in some types of production and in some regions, this penetration has been considerable."

Such findings lend support to efforts to reduce acreage controls and price supports, artificial stimuli to productivity.

CONSTRUCTION

The homebuilding industry's long-term lumber supply problem may come to the fore again once the main deterrent to construction—high interest rates—finally subsides.

Before tight money began to pinch, lumber supply caused great concern in Congress, leading to demands that the Forest Service undertake more productive forest management practices.

Sponsors of legislation now stymied on

Capitol Hill insist that more intensive harvesting of government-owned timber can be achieved without jeopardizing future supply or the recreational value of forests.

"I am convinced," says Sen. John Sparkman of Alabama, "that if we do not carry out the purposes of this legislation, housing will again be frustrated by a lumber shortage and skyrocketing lumber prices, once we have solved the mortgage credit crisis."

CREDIT AND FINANCE

Prime interest rates could drop to 7 per cent by year's end, in the view of some business economists, despite the mixed bag of statistics that underlay the recent cut of half a point.

These sources point out that unemployment and other indications of a slowing economy which created pressure for the

half-point cut significantly failed to include one major indicator which would justify such a reduction: a slackening of demand for business loans.

Yet the same observers figure such a slackening is in the cards later this year, permitting further reductions without endangering efforts to curb inflation.

NATURAL RESOURCES

The continuing quest for clean air is focusing attention on alcohol as a fuel additive for automobiles.

Alcohol has been employed in combination with gasoline in other countries, experts say, and this has been considered here in past years partly as a possible end use for

surplus grain. Cost has been a deterrent. But recommendations are now being heard in Congress that alcohol be added to gas not only to provide cleaner-burning fuel but to preserve the power which otherwise would be lost when lead additives are abandoned.

FOREIGN TRADE

America's electronics manufacturers face a new threat to their exports in profitable European markets.

It consists of a move by Britain, France and Germany to impose an inspection system that American interests regard as a nontariff barrier.

The system would provide for inspection of electronic components—and continuing surveillance of the process in which they are manufactured—by independent agencies (presumably government) in countries agreeing to participate.

Goods shipped in from outside would need no such certification. But the Electronic Industries Association fears lack of

such inspection could deter marketing of U. S. components in participating countries.

The Association says some industrial consumers who now test imported components going into equipment of their own manufacture might choose to forego the expense and use European-certified components.

European rule-makers refuse to permit representatives of U. S. business to participate in the drafting process.

This strengthens suspicions that the inspection system may be employed to shut out American products which now account for a \$200 million piece of the European markets each year.

MANUFACTURING

Far-out space technology finds increasing application to earthbound problems like law enforcement.

The Aerospace Industries Association of America, Inc., cites these recent examples, among others:

- General Dynamics Corp. has been studying the overloaded police communications system in Rochester, N. Y.; the findings presumably will have application in other medium-sized cities.
- Lockheed Aircraft Corp. has examined the

criminal records system of the state of California with the object of making criminal information more readily available to law enforcement agencies at all levels.

- Aerojet-General Corp. has been developing a number of sophisticated approaches to crime fighting such as analysis of tire marks, detecting presence of marijuana, matching of hair samples, and surveillance of vehicles with the aid of tracer chemicals whose presence can be detected by sensitive scanning devices.

MARKETING

Marketers are running up against a crucial gap in efforts to bring out new products exclusively or largely targeted for the Negro community.

It consists of a lack of local—as opposed to national—media through which to conduct critical test marketing. "We're starting to feel it right now," says an agency executive involved in advertising for the Negro market.

This source notes that financing is increasingly becoming available for businesses aiming products exclusively at the Negro market, and for black businessmen whose products are not inherently limited in racial appeal but who stress their race in their

marketing. To be sure, radio works best for some types of product, he says, and many cities have one or more black stations. However, some are "screamers" with little appeal to increasingly educated and affluent listeners whom marketers shoot for. And the biggest gap is in print.

In the advertising executive's view, best prospects would be for national Negro media to develop the ability to provide an advertising and circulation breakout in typical areas of concentrated black population.

This may be the route to major accounts, he says:

"Marketers don't want to roll the dice for a couple of million dollars."

TRANSPORTATION

The nation's shipyards are looking forward to a major surge in construction in this decade.

The Shipbuilders Council of America estimates billings of \$34 billion, a 67 per cent increase over the 1960's.

This would stem from Naval procurement; the Administration's merchant marine sub-

sidy program, which alone could generate \$6 billion or \$7 billion in construction, and demand for tankers because of Alaskan oil discoveries.

Shipyards have invested some \$100 million a year for the past two, and will spend another \$500 million by the end of the decade, according to the Council.

EDITORIAL

SOMETHING FOR NOTHING?

How much income would you have to have to stop working? \$500,000 a year? \$200,000? \$100,000? \$50,000?

Chances are you, as a businessman, would set your figure pretty high. But there probably is such a figure, isn't there?

And some people are not as ambitious or diligent as you are. Maybe their figure would be \$8,000. Or \$7,000. Or \$6,000.

They could get something in that range under current welfare proposals, depending on the size of their family.

They'd never have to work again, and they probably wouldn't.

Where would the money come from for their guaranteed annual income? From your taxes, of course.

So, you'd better keep working—hard.



For the toughest truck rental jobs...

Hertz orders 20 million dollars worth of better ideas from Ford

When it comes to tough truck rental jobs, Hertz gets some of the toughest in their transient rental fleet. Hauling almost anything, anywhere, with any driver. It's brutal duty.

When the time came to add to the transient fleet, Hertz came to Ford for a complete line of Better Idea trucks. Econoline Vans. Pickups. Mediums. Heavies, including big new LOUISVILLE LINE

models. Every one built to handle those brutal rental jobs mile after mile, day after day. That's how Hertz keeps customers happy. And that's what Better Ideas are all about.

When you need trucks designed for more road-time, less downtime . . . to haul almost anything, anywhere, with any driver . . . see your Ford Dealer. He's the man with the Better Ideas.

FORD TRUCKS 



TRY SOMETHING BETTER.



There is only one J&B Rare Scotch. And only one reason for drinking it. The delightful rare taste you pour every time from every bottle. Isn't something like that worth a few cents more?

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*From the house of Justerini & Brooks,
founded 1749.*